

US Grant Joint Vocational School District

Clermont County, Ohio

Regular Audit

July 1, 2005 through June 30, 2006

Fiscal Year Audited Under GAGAS: 2006

**BALESTRA, HARR & SCHERER, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

Board of Education  
US Grant Joint Vocational School District  
718 West Plane Street  
Bethel, Ohio 45106

We have reviewed the *Independent Auditor's Report* of the US Grant Joint Vocational School District, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The US Grant Joint Vocational School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 15, 2007

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**US Grant Joint Vocational School District**  
Clermont County, Ohio

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**Independent Auditor's Report**

Members of the Board  
US Grant Joint Vocational School District  
718 West Plane Street  
Bethel, OH 45106

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the US Grant Joint Vocational School District (the District), Clermont County, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 9 and 41 through 44 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Us Grant Joint Vocational School District  
Independent Auditor's Report  
Page 2

As described in Note 20, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
November 17, 2006



**U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2006**  
(Unaudited)

The discussion and analysis of U.S. Grant Joint Vocational School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets increased \$621,103 which represents a 14.4% increase from 2005.
- General revenues accounted for \$6,337,599 in revenue or 90.4% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$672,174 or 9.6% of total revenues of \$7,009,773.
- The District had \$6,388,670 in expenses related to governmental activities; \$672,174 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6,337,599 were adequate to provide for these programs.
- As the major fund, the General Fund had \$6,328,466 in revenues and \$5,340,633 in expenditures. The General Fund's fund balance increased from \$2,338,376 to \$3,127,191.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

## Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2006?” The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the District’s *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the District presents:

- Governmental Activities – All of the District’s programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

## Fund Financial Statements

The analysis of the District’s major fund begins on the balance sheet. Fund financial reports provide detailed information about the District’s major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds.

**Governmental Funds** Most of the District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

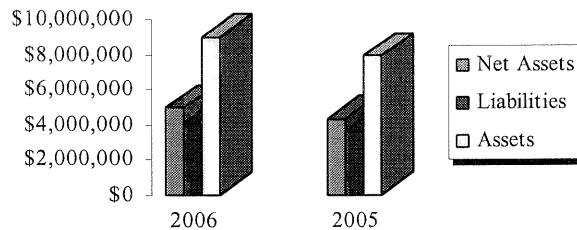
**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s own programs.

**The District as a Whole**

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District’s net assets for 2006 compared to 2005:

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current Assets	\$6,832,102	\$5,600,594
Capital Assets	2,179,425	2,308,297
<b>Total Assets</b>	<b>9,011,527</b>	<b>7,908,891</b>
<b>Liabilities</b>		
Long-Term Liabilities	803,150	817,702
Other Liabilities	3,281,811	2,785,726
<b>Total Liabilities</b>	<b>4,084,961</b>	<b>3,603,428</b>
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	1,945,603	2,016,019
Restricted	339,146	305,232
Unrestricted	2,641,817	1,984,212
<b>Total Net Assets</b>	<b>\$4,926,566</b>	<b>\$4,305,463</b>



Over time, net assets can serve as a useful indicator of a government’s financial position. At June 30, 2006, the District’s assets exceeded liabilities by \$4,926,566.

At year-end, capital assets represented 24% of total assets. Capital assets include land, buildings and improvements and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, was \$1,945,603. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The balance of unrestricted net assets of \$2,641,817 may be used to meet the District's ongoing obligations to the students and creditors.

Current and other assets increased mainly due to an increase in taxes receivable.

Table 2 shows the changes in net assets at year-end.

Table 2  
Changes in Net Assets

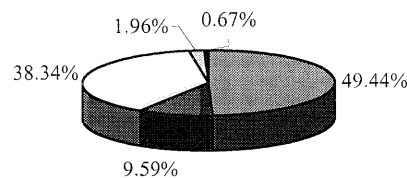
	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenues		
Program Revenues:		
Charges for Services	\$406,082	\$298,284
Operating Grants	266,092	237,697
General Revenue:		
Property Taxes	2,687,463	1,859,763
Grants and Entitlements	3,465,793	3,180,553
Other	184,343	236,795
Total Revenues	<u>7,009,773</u>	<u>5,813,092</u>
Program Expenses:		
Instruction	3,590,365	3,298,259
Support Services:		
Pupil and Instructional Staff	715,905	734,365
General and School Administrative, Fiscal and Business	882,211	875,146
Operations and Maintenance	714,893	676,608
Pupil Transportation	13,494	11,018
Central	116,079	85,234
Operation of Non-Instructional Services	333,655	305,444
Extracurricular Activities	22,068	8,202
Total Expenses	<u>6,388,670</u>	<u>5,994,276</u>
Change in Net Assets	621,103	(181,184)
Beginning Net Assets	<u>4,305,463</u>	<u>4,486,647</u>
Ending Net Assets	<u><u>\$4,926,566</u></u>	<u><u>\$4,305,463</u></u>

The District revenues are mainly from two sources. Property taxes levied for general and debt service purposes and grants and entitlements comprised 88% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 38% of revenue for governmental activities for the District in fiscal year 2006.

Revenue Sources	2006	Percent of Total
General Grants	\$3,465,793	49.44%
Program Revenues	672,174	9.59%
General Tax Revenues	2,687,463	38.34%
Investment Earnings	137,141	1.96%
Other Revenues	47,202	0.67%
	<u>\$7,009,773</u>	<u>100.00%</u>



Instruction comprises 56% of governmental program expenses. Support services expenses were 38% of governmental program expenses. All other expenses were 6%.

The District saw an increase in revenues mainly due to an increase in taxes revenue as a result of the increase in tax advances from prior year and due to additional grant monies received in 2006.

### Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$3,590,365	\$3,298,259	(\$3,252,927)	(\$2,960,186)
Support Services:				
Pupil and Instructional Staff	715,905	734,365	(607,905)	(638,451)
General and School Administrative,				
Fiscal and Business	882,211	875,146	(875,678)	(869,350)
Operations and Maintenance	714,893	676,608	(707,074)	(666,436)
Pupil Transportation	13,494	11,018	(13,494)	(11,018)
Central	116,079	85,234	(116,079)	(85,234)
Operation of Non-Instructional Services	333,655	305,444	(121,271)	(219,418)
Extracurricular Activities	22,068	8,202	(22,068)	(8,202)
Total Expenses	<u>\$6,388,670</u>	<u>\$5,994,276</u>	<u>(\$5,716,496)</u>	<u>(\$5,458,295)</u>

## The District's Funds

Information about the District's major fund is presented in the Fund Financial Statements. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$7,237,093 and expenditures and other financing uses of \$6,413,933. The net change in fund balances for the year was \$823,160.

**General Fund:** Fund balance at June 30, 2006 was \$3,127,191 including \$2,667,321 of unreserved balance. The primary reason for the increase in fund balance is due to the significant increases in taxes and intergovernmental revenue as expenditures remained relatively consistent from the prior year.

## General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$5,787,466, compared to original budget estimates of \$5,191,440. Of this \$596,026 difference, most was due to a conservative estimate for intergovernmental and taxes revenue.

The District's ending unobligated actual fund balance for the general fund was \$686,975 above the final budgeted amount.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2006, the District had \$2,179,425 invested in land, buildings and improvements and equipment and vehicles. Table 4 shows fiscal 2006 balances compared to 2005:

Table 4  
Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities	
	2006	2005
Land	\$100,000	\$100,000
Buildings and Improvements	1,492,807	1,603,589
Equipment and Vehicles	586,618	604,708
Total Net Capital Assets	<u>\$2,179,425</u>	<u>\$2,308,297</u>

The overall decrease in capital assets of \$128,872 is mainly due to a depreciation expense of \$245,808 exceeding capital asset acquisition of \$119,726 in the fiscal year.

See Note 6 to the basic financial statements for further details on the District’s capital assets.

**Debt**

At June 30, 2006, the District had \$233,822 in bonds outstanding, \$58,456 due within one year. Table 5 summarizes bonds outstanding.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
General Obligation Bonds:		
1995 School Facilities Loan	<u>\$233,822</u>	<u>\$292,277</u>
Total Bonds	<u>\$233,822</u>	<u>\$292,277</u>

At June 30, 2006, the District’s overall legal debt margin was \$71,785,087 with an unvoted debt margin of \$797,612.

See Note 8 of the Notes to the Basic Financial Statements for further details on the District’s debt.

**For the Future**

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, management is confident that the District can continue to provide a quality education for students and provide a secure financial future.

**Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patricia Patten, Treasurer at U.S. Grant Joint Vocational School District, 718 W. Plane Street, Bethel, Ohio 45106.

U.S. Grant Joint Vocational School District  
Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$3,634,193
Restricted Cash and Investments	24,056
Cash and Cash Equivalents with Fiscal Agent	27,819
Receivables:	
Taxes	3,143,981
Inventory	2,053
Nondepreciable Capital Assets	100,000
Depreciable Capital Assets, Net	<u>2,079,425</u>
Total Assets	<u>9,011,527</u>
Liabilities:	
Accounts Payable	14,894
Accrued Wages and Benefits	496,763
Unearned Revenue	2,742,335
Matured Bonds Payable	25,000
Matured Interest Payable	2,819
Long-Term Liabilities:	
Due Within One Year	134,126
Due In More Than One Year	<u>669,024</u>
Total Liabilities	<u>4,084,961</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,945,603
Restricted for:	
Special Revenue	164,307
Debt Service	66,294
Capital Projects	84,489
Set-Aside	24,056
Unrestricted	<u>2,641,817</u>
Total Net Assets	<u><u>\$4,926,566</u></u>

See accompanying notes to the Basic Financial Statements.



U.S. Grant Joint Vocational School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$238,389	\$50,274	\$0	(\$188,115)
Special	101,883	0	0	(101,883)
Vocational	2,927,331	8,385	100,082	(2,818,864)
Adult/Continuing	322,762	143,240	35,457	(144,065)
Support Services:				
Pupil	610,484	0	105,449	(505,035)
Instructional Staff	105,421	0	2,551	(102,870)
General Administration	64,165	0	0	(64,165)
School Administration	352,231	0	3,738	(348,493)
Fiscal	436,384	0	2,795	(433,589)
Business	29,431	0	0	(29,431)
Operations and Maintenance	714,893	7,819	0	(707,074)
Pupil Transportation	13,494	0	0	(13,494)
Central	116,079	0	0	(116,079)
Operation of Non-Instructional Services	333,655	196,364	16,020	(121,271)
Extracurricular Activities	22,068	0	0	(22,068)
Total Governmental Activities	6,388,670	406,082	266,092	(5,716,496)

General Revenues:	
Property Taxes Levied for:	
General Purposes	2,629,008
Debt Service Purposes	58,455
Grants and Entitlements not Restricted to Specific Program:	3,465,793
Investment Earnings	137,141
Refunds and Reimbursements	4,043
Other Revenues	43,159
Total General Revenues	6,337,599
Change in Net Assets	621,103
Net Assets Beginning of Year	4,305,463
Net Assets End of Year	\$4,926,566

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District  
Balance Sheet  
Governmental Funds  
June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$3,259,747	\$374,446	\$3,634,193
Restricted Cash and Investments	24,056	0	24,056
Cash and Cash Equivalents with Fiscal Agent	0	27,819	27,819
<b>Receivables:</b>			
Taxes	3,085,526	58,455	3,143,981
Interfund	393	0	393
Inventory	0	2,053	2,053
<b>Total Assets</b>	<b>6,369,722</b>	<b>462,773</b>	<b>6,832,495</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	13,865	1,029	14,894
Accrued Wages and Benefits	460,168	36,595	496,763
Compensated Absences	35,672	0	35,672
Interfund Payable	0	393	393
Deferred Revenue	2,732,826	58,455	2,791,281
Matured Bonds Payable	0	25,000	25,000
Matured Interest Payable	0	2,819	2,819
<b>Total Liabilities</b>	<b>3,242,531</b>	<b>124,291</b>	<b>3,366,822</b>
<b>Fund Balances:</b>			
Reserved for Encumbrances	83,114	5,154	88,268
Reserved for Inventory	0	2,053	2,053
Reserved for Property Tax Advances	352,700	0	352,700
Reserved for Set-Aside	24,056	0	24,056
<b>Unreserved, Undesignated, Reported in:</b>			
General Fund	2,667,321	0	2,667,321
Special Revenue Funds	0	180,492	180,492
Debt Service Funds	0	66,294	66,294
Capital Projects Funds	0	84,489	84,489
<b>Total Fund Balances</b>	<b>3,127,191</b>	<b>338,482</b>	<b>3,465,673</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$6,369,722</b>	<b>\$462,773</b>	<b>\$6,832,495</b>

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District  
Reconciliation of Total Governmental Fund Balance to  
Net Assets of Governmental Activities  
June 30, 2006

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Total Governmental Fund Balance		\$3,465,673
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,179,425
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	<u>48,946</u>	48,946
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(533,656)</u>	(533,656)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(233,822)</u>
Net Assets of Governmental Activities		<u>\$4,926,566</u>
See accompanying notes to the Basic Financial Statements.		

U.S. Grant Joint Vocational School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$2,653,538	\$58,455	\$2,711,993
Tuition and Fees	58,659	143,240	201,899
Investment Earnings	137,141	0	137,141
Intergovernmental	3,465,792	266,093	3,731,885
Charges for Services	0	196,364	196,364
Other Revenues	13,336	43,493	56,829
<b>Total Revenues</b>	<b>6,328,466</b>	<b>707,645</b>	<b>7,036,111</b>
Expenditures:			
Current:			
Instruction:			
Regular	234,247	0	234,247
Special	100,040	0	100,040
Vocational	2,714,381	114,582	2,828,963
Adult/Continuing	0	321,081	321,081
Support Services:			
Pupil	510,065	79,841	589,906
Instructional Staff	106,343	2,617	108,960
General Administration	64,165	0	64,165
School Administration	346,260	3,806	350,066
Fiscal	423,478	2,500	425,978
Business	29,431	0	29,431
Operations and Maintenance	622,774	0	622,774
Pupil Transportation	15,294	0	15,294
Central	111,787	0	111,787
Operation of Non-Instructional Services	40,300	290,418	330,718
Extracurricular Activities	22,068	0	22,068
Debt Service:			
Principal Retirement	0	58,455	58,455
<b>Total Expenditures</b>	<b>5,340,633</b>	<b>873,300</b>	<b>6,213,933</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>987,833</b>	<b>(165,655)</b>	<b>822,178</b>
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	982	0	982
Transfers In	0	200,000	200,000
Transfers (Out)	(200,000)	0	(200,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(199,018)</b>	<b>200,000</b>	<b>982</b>
<b>Net Change in Fund Balance</b>	<b>788,815</b>	<b>34,345</b>	<b>823,160</b>
<b>Fund Balance Beginning of Year</b>	<b>2,338,376</b>	<b>304,137</b>	<b>2,642,513</b>
<b>Fund Balance End of Year</b>	<b>\$3,127,191</b>	<b>\$338,482</b>	<b>\$3,465,673</b>

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2006

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Net Change in Fund Balance - Total Governmental Funds \$823,160

Amounts reported for governmental activities in the  
 statement of activities are different because:

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	119,726	
Depreciation Expense	<u>(245,808)</u>	(126,082)

Governmental funds only report the disposal of assets to the  
 extent proceeds are received from the sale. In the statement  
 of activities, a gain or loss is reported for each disposal. The  
 amount of the proceeds must be removed and the gain or loss  
 on the disposal of capital assets must be recognized. This is the  
 amount of the difference between the proceeds and the gain or loss. (2,790)

Revenues in the statement of activities that do not provide  
 current financial resources are not reported as revenues in  
 the funds.

Delinquent Property Taxes	<u>(24,530)</u>	(24,530)
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Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets. 58,455

Some expenses reported in the statement of activities do not require the  
 use of current financial resources and therefore are not reported as  
 expenditures in governmental funds.

Compensated Absences	<u>(107,110)</u>	
		<u>(107,110)</u>

Change in Net Assets of Governmental Activities		<u><u>\$621,103</u></u>
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See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$18,306</u>	<u>\$18,378</u>
Total Assets	<u>18,306</u>	<u>\$18,378</u>
Liabilities:		
Accounts Payable	467	0
Other Liabilities	<u>0</u>	<u>18,378</u>
Total Liabilities	<u>467</u>	<u>\$18,378</u>
Net Assets:		
Held in Trust	<u>17,839</u>	
Total Net Assets	<u>\$17,839</u>	

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2006

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	Private Purpose Trust
Additions:	
Donations	\$4,898
Total Additions	4,898
Deductions:	
Scholarships	2,935
Total Deductions	2,935
Change in Net Assets	1,963
Net Assets Beginning of Year	15,876
Net Assets End of Year	\$17,839

See accompanying notes to the Basic Financial Statements.

**U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2006**

**1. DESCRIPTION OF THE DISTRICT**

U.S. Grant Joint Vocational School District (the "School District") is organized pursuant to Section 3311.18 of the Ohio Revised Code. The School District is a stand-alone government as they do not have a separately elected governing body and are not a component unit of another government. The School District operates under a five member Board of Education, which is not directly elected. The Board of Education is comprised of appointed members of other elected boards from Bethel-Tate, Felicity Franklin, and Williamsburg local school districts, as well as New Richmond Exempted Village School District. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1973 through the cooperation of all school districts involved. The School District serves an area of approximately 40.43 square miles. It is located in Clermont County, and serves the local school districts of Bethel-Tate, Felicity Franklin, and Williamsburg, as well as New Richmond Exempted Village School District. It is staffed by 11 non-certificated employees, 42 certificated full-time teaching personnel and 3 administrative employees who provide services to 349 students and other community members. The School District currently operates one instructional building.

**REPORTING ENTITY**

A reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements are not misleading. The stand-alone government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For U.S. Grant Joint Vocational School District, this includes general operations, food service, adult education and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District currently has no component units.



The School District is associated with two jointly governed organizations, a risk sharing pool and two insurance purchasing pools. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association, the Ohio Schools Risk Sharing Authority, Inc., the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Clermont County Health Trust. These organizations and the School District's participation are discussed in notes 14, 15 and 16 to the basic financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

### **MEASUREMENT FOCUS**

#### **Government-wide Financial Statements**

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

## **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Fiduciary funds are reported using the accrual basis of accounting.

## **FUND ACCOUNTING**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

### **Governmental Funds**

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and two agency funds. The private purpose trust fund accounts for scholarship programs for students. The student managed activity agency fund accounts for those student activity programs. The grant agency fund accounts for Pell Grant money awarded to adult students for tuition.

## **BASIS OF ACCOUNTING**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

### Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Measurable means the amount of the transaction can be determined. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 4). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

### Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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### Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as any expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

## **EQUITY IN POOLED CASH AND INVESTMENTS**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the basic financial statements. The School District utilizes financial institutions to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agent" and represents deposits.

During fiscal year 2006, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAROhio), money market funds, and Federal Home Loan Bank.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$137,141.

Investments of the cash management pool and investments with original maturities three months or less at the time they are purchased by the School District are reported as cash equivalents.

### **INVENTORY**

Inventories are presented at cost on a first in, first out basis and are expensed/expensed when used. Inventory consists of food held for resale and consumable supplies.

### **CAPITAL ASSETS**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land Improvements	35 years
Buildings and Improvements	5 - 35 years
Furniture and Equipment	5 - 20 years
Vehicles	10 years
Software and Site Licenses	5 years

## **COMPENSATED ABSENCES**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Employees may accumulate unlimited sick leave. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit for the first 120 days of leave plus one day's pay for each ten sick leave days accumulated beyond 120 days.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

## **NET ASSETS**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$339,146 of unrestricted net assets, of which none is restricted by enabling legislation.

## **INTERFUND ACTIVITY**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund activity between governmental funds is eliminated in the governmental activities column on the statement of activities.

## **FUND EQUITY**

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, inventory, budgetary set-asides and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

## **PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. There are no prepaid items at year end.

## **INTERFUND BALANCES**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

## **RESTRICTED ASSETS**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent amounts followed by statute to be set-aside to create a reserve for budget stabilization.

## **ACCRUED LIABILITIES AND LONG TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Long term loans are recognized as a liability on the statement of net assets when due.

### **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **3. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to, passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.



- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

## Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$104,654 of the District's bank balance of \$296,812 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

## Investments

As of June 30, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
Federal Home Loan Bank	\$346,422	2.04
Money Market Funds	2,919,349	0.00
STAR Ohio	<u>315,561</u>	0.00
Total Fair Value	<u>\$3,581,332</u>	
Portfolio Weighted Average Maturity		0.20

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Bank were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. Investments in STAR Ohio and in the Money Market Funds were rated AAAM by Standard & Poor's.

Concentration of credit risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities, but does not limit the amount in any one issuer. The District invested 9.7% in Federal Home Loan Bank, 81.5% in the Money Market Funds and 8.8% in STAROhio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

#### 4. PROPERTY TAXES

Real property taxes collected in 2006 were levied after April 1, 2005 on the assessed values as of January 1, 2005, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent re-evaluation was completed in January, 2005.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Effective 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2006, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2006. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2006 on the fund statements. The entire amount of delinquent taxes receivable is recognized as a revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006, was \$352,700 for General Fund and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2006 operations.

The assessed value, by property classification, upon which taxes collected in 2006 were based as follows:

Tangible and Public Utility Personal	\$198,631,556
Real Estate	<u>598,980,530</u>
Total Assessed Property Value	<u>\$797,612,086</u>

## 5. RECEIVABLES

Receivables at June 30, 2006, consisted of taxes and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

## 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$100,000	\$0	\$0	\$100,000
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	4,547,551	1,824	(9,150)	4,540,225
Equipment	<u>2,579,548</u>	<u>117,902</u>	<u>(247,125)</u>	<u>2,450,325</u>
Totals at Historical Cost	7,227,099	119,726	(256,275)	7,090,550
Less Accumulated Depreciation:				
Buildings and Improvements	(2,943,962)	(112,606)	9,150	(3,047,418)
Equipment	<u>(1,974,840)</u>	<u>(133,202)</u>	<u>244,335</u>	<u>(1,863,707)</u>
Total Accumulated Depreciation	<u>(4,918,802)</u>	<u>(245,808)</u>	<u>253,485</u>	<u>(4,911,125)</u>
Governmental Activities Capital Assets, Net	<u>\$2,308,297</u>	<u>(\$126,082)</u>	<u>(\$2,790)</u>	<u>\$2,179,425</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Special		\$533
Vocational		145,118
Support Services:		
Instructional Staff		809
School Administration		2,948
Fiscal		4,496
Operations and Maintenance		89,502
Pupil Transportation		200
Operation of Non-Instructional Services		<u>2,202</u>
Total Depreciation Expense		<u>\$245,808</u>

## 7. LEGAL DEBT MARGIN

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2006, are a voted debt margin of \$71,785,087 and an unvoted debt margin of \$797,612.

The bond issues are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Payment of principal and interest relating to this liability is recorded as an expenditure in the Debt Service Fund.

## 8. LONG-TERM LIABILITIES

The change in the District's long-term obligations during the year consist of the following:

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
<b>Governmental Activities:</b>						
Bonds:						
1995 School Facilities Loan	0.0000	\$292,277	\$0	\$58,455	\$233,822	\$58,456
Compensated Absences		<u>525,424</u>	<u>177,101</u>	<u>133,197</u>	<u>569,328</u>	<u>75,670</u>
Total Governmental Activities		<u>\$817,701</u>	<u>\$177,101</u>	<u>\$191,652</u>	<u>\$803,150</u>	<u>\$134,126</u>

The following is a summary of the District's future annual debt service requirements for general obligations:

### BONDED DEBT

<u>Fiscal Year Ending June 30</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total</u>
2007	\$58,456	\$0	\$58,456
2008	58,456	0	58,456
2009	58,455	0	58,455
2010	<u>58,455</u>	<u>0</u>	<u>58,455</u>
TOTAL	<u>\$233,822</u>	<u>\$0</u>	<u>\$233,822</u>

School Facilities Loan – On January 30, 1995, the U.S. Grant Joint Vocational School District obtained an interest free loan in the amount of \$876,830 for the purpose of purchasing, constructing, remodeling and equipping the U.S. Grant Joint Vocational School District addition pursuant to House Bill 808 and House Bill 723. The loan was issued for a fifteen-year period with final maturity during fiscal year 2010. The debt will be retired from the debt service fund.

Compensated Absences will be paid from the general, food service and adult basic education funds.

## **9. PENSION PLANS**

### **SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58% of annual covered salary was the portion being used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$97,035, \$45,812, and \$42,353, respectively; 98% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004.

### **STATE TEACHERS RETIREMENT SYSTEM**

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$398,971, \$254,800, and \$595,977, respectively; 87% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004.

## **10. POST EMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$28,498 for the fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (latest information available), the balance in the Fund was 3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based upon years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$23,704.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

## **11. CONTINGENT LIABILITIES**

### **GRANTS**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.



However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2006.

## LITIGATION

The District was not involved in any litigation at year end.

## 12. RISK MANAGEMENT

### PROPERTY AND LIABILITY

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. By participating in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA) (Note 14), a risk sharing pool, for liability, property, auto and crime insurance, the School District has addressed these various types of risk.

SORSA, a non-profit corporation, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. The types and amounts of coverage provided by the SORSA are as follows:

Property Cover:	
Total Insured Values (\$1,000 occurrence deductible)	\$22,097,147
Crime Cover:	
Employee Dishonesty/Faithful (\$1,000 occurrence deductible)	50,000
Forgery or Alteration (\$1,000 occurrence deductible)	50,000
Computer Fraud (\$1,000 occurrence deductible)	50,000
Theft Disappearance and Destruction (inside/outside) (\$1,000 occurrence deductible)	50,000
General Liability:	
Bodily Injury and Property Damage	3,000,000
Personal and Advertising Injury Limit – Each Offense	3,000,000
Products – Completed Operations Aggregate Limit	3,000,000
Per Campus Annual Aggregate	2,000,000
General Annual Aggregate	5,000,000
Fire Damage Limit – Any One Event	500,000
Medical Payments	5,000/125,000
Each Occurrence	1,000
Educators’ Legal Liability:	
Errors or Omissions Cover (\$5,000 deductible)	3,000,000
Automobile Liability:	
Owned/Leased Vehicles	3,000,000
Hired and Non-owned Liability	Included
Medical Payments	5,000/125,000
Each Occurrence	1,000
Uninsured Motorist	1,000,000
Automobile Physical Damage (\$1,000 deductible)	100,000

Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

## **WORKERS' COMPENSATION**

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

### **13. OTHER EMPLOYEE BENEFITS**

#### **A. Life and Accident Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life.

#### **B. Early Retirement incentive**

The School District has an early retirement incentive program. Participation is open to any employees that were within the retirement range established by SERS or STRS. The School District will buy two years of service credit for those employees if the incentive was taken when the employee became eligible under the program. During fiscal year 2006, one employee elected to take the early retirement incentive.

#### **C. Employee Benefits**

For fiscal year 2006, the School District participated in the Clermont County Health Trust (the Trust) (Note 15), an insurance purchasing pool, in order to provide dental, medical, life insurance, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

## **14. RISK SHARING POOL**

The Schools of Ohio Risk Sharing Authority, Inc. (SORSA), is a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to District persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235.

## **15. INSURANCE PURCHASING POOLS**

Ohio School Boards Association Workers' Compensation Group Rating Plan – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, President-Elect and Immediate Past President of OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The Clermont County Health Trust – The Clermont County Health Trust (the "Trust"), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical and other disability group insurance for members' employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator, McElroy Minister, which in turn buys the insurance policies from various insurance companies.

Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. The School District did not make any financial contributions to the Clermont County Health Trust during fiscal year 2006. Financial information can be obtained from the Clermont County Health Trust at P.O. Box 526, Middletown, Ohio 45042.

## 16. JOINTLY GOVERNED ORGANIZATIONS

### **Hamilton Clermont Cooperative Association/Unified Purchasing Association**

The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association (H/CCA) to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that created the organization, but there is no ongoing financial interest or responsibility by the participating governments. The School District made \$150 in financial contributions to the Hamilton/Clermont Cooperative Association/Unified Purchasing Association during fiscal year 2006. Complete financial statements for H/CCA Unified Purchasing Association can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

### **Hamilton/Clermont Cooperative Association**

The School District is a participant in a two county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among other member districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid \$11,571 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

## 17. ACCOUNTABILITY

The following funds had a deficit in fund balance:

Special Revenue Funds:	
Vocational Education Enhancement	\$393

The deficit in fund balance was due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

## 18. STATUTORY RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similar restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of the information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2005	(\$725,084)	\$ 0	\$24,056
Current Year set-aside Requirements	49,929	49,929	0
Qualifying Disbursements	<u>(298,402)</u>	<u>(55,143)</u>	<u>0</u>
Total	<u>(\$973,557)</u>	<u>(\$5,214)</u>	<u>\$24,056</u>
Set-aside Balance Carried Forward to Future Years	<u>(\$973,557)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Set-aside Reserve Balance as of June 30, 2006	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$24,056</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for textbooks and capital acquisition, only the amount for the textbooks set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2006, the Board had not acted on the Senate Bill requirements to eliminate the reserve balance. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

## 19. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2006, consisted of the following individual fund receivables and payables:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$393	\$0	\$0	\$200,000
Other Governmental Funds	<u>0</u>	<u>393</u>	<u>200,000</u>	<u>0</u>
	<u>\$393</u>	<u>\$393</u>	<u>\$200,000</u>	<u>\$200,000</u>

The amounts due in the general fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The general fund will be reimbursed when funds become available in the nonmajor funds. Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

## 20. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries"; GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

U.S. Grant Joint Vocational School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,079,293	\$2,437,075	\$2,455,838	\$18,763
Tuition and Fees	49,665	61,577	58,659	(2,918)
Investment Earnings	116,114	64,309	137,141	72,832
Intergovernmental	2,934,394	3,196,164	3,465,792	269,628
Other Revenues	11,974	28,341	14,142	(14,199)
<b>Total Revenues</b>	<b>5,191,440</b>	<b>5,787,466</b>	<b>6,131,572</b>	<b>344,106</b>
Expenditures:				
Current:				
Instruction:				
Regular	236,649	247,637	232,363	15,274
Special	100,901	108,807	99,074	9,733
Vocational	2,760,618	2,710,625	2,710,625	0
Support Services:				
Pupil	548,366	553,370	538,435	14,935
Instructional Staff	107,945	114,476	105,990	8,486
General Administration	73,501	74,045	72,170	1,875
School Administration	438,531	454,547	430,589	23,958
Fiscal	434,523	443,227	426,654	16,573
Business	29,974	43,863	29,431	14,432
Operations and Maintenance	661,434	720,577	649,456	71,121
Pupil Transportation	15,576	21,348	15,294	6,054
Central	113,714	120,781	111,655	9,126
Operation of Non-Instructional Services	32,214	129,262	31,631	97,631
Extracurricular Activities	22,475	33,777	22,068	11,709
<b>Total Expenditures</b>	<b>5,576,421</b>	<b>5,776,342</b>	<b>5,475,435</b>	<b>300,907</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(384,981)</b>	<b>11,124</b>	<b>656,137</b>	<b>645,013</b>
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	831	0	982	982
Advances In	46,499	52,883	54,920	2,037
Advances (Out)	0	(38,666)	0	38,666
Transfers In	0	19,421	0	(19,421)
Transfers (Out)	(203,689)	(219,698)	(200,000)	19,698
<b>Total Other Financing Sources (Uses)</b>	<b>(156,359)</b>	<b>(186,060)</b>	<b>(144,098)</b>	<b>41,962</b>
<b>Net Change in Fund Balance</b>	<b>(541,340)</b>	<b>(174,936)</b>	<b>512,039</b>	<b>686,975</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,681,928	2,681,928	2,681,928	0
<b>Fund Balance End of Year</b>	<b>\$2,140,588</b>	<b>\$2,506,992</b>	<b>\$3,193,967</b>	<b>\$686,975</b>

See accompanying notes to the required supplementary information.



**U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2006**

**1. BUDGETARY PROCESS**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2006.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board resolution during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$788,815
Net Adjustment for Revenue Accruals	(141,974)
Net Adjustment for Expenditure Accruals	(44,959)
Encumbrances	(89,843)
Budget Basis	<u><u>\$512,039</u></u>

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board  
US Grant Joint Vocational School District  
718 West Plane Street  
Bethel, Ohio 45106

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the US Grant Joint Vocational School District (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 17, 2006 in which we indicated the District implemented GASB Statements No. 42, 46, and 47. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Members of the Board

US Grant Joint Vocational School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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This report is intended solely for the information and use of the audit committee, management, members of the Board, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

November 17, 2006



Mary Taylor, CPA  
Auditor of State

US GRANT JOINT VOCATIONAL SCHOOL DISTRICT  
CLERMONT COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 1, 2007