



Dave Yost • Auditor of State



**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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TUSCARAWAS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Buckeye Joint Vocational School District  
Tuscarawas County  
545 University Drive, NE  
New Philadelphia, Ohio 44663

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Joint Vocational School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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 Buckeye Joint Vocational School District, Tuscarawas County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension Liabilities and Pension Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 15, 2016

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**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The management's discussion and analysis of the Buckeye Joint Vocational School District (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities decreased \$619,301 which represents a 6.25% decrease from 2015's net position.
- General revenues accounted for \$12,340,374 in revenue or 76.97% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,692,509 or 23.03% of total revenues of \$16,032,883.
- The District had \$16,652,184 in expenses related to governmental activities; \$3,692,509 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,340,374 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the building fund. The general fund had \$13,341,916 in revenues and \$12,265,541 in expenditures. During fiscal year 2016, the general fund's fund balance increased \$1,076,375 from a balance of \$15,404,582 to \$16,480,957.
- The building fund had \$509,916 in revenues and \$1,103,898 in expenditures. During fiscal year 2016, the building fund's fund balance decreased \$593,983 from \$3,822,579 to \$3,228,597.

**Using these Basic 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 position* and *statement 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. In the case of the District, the general fund and the building fund are by far the most significant funds, and the only governmental funds reported as major funds.

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

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 2016?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. 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. The District's major governmental funds are the general fund and the building fund.

***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* than can readily be converted to cash. The governmental fund financial 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 position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 27 and 28. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-62 of this report.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 64 through 70 of this report.

**The District as a Whole**

Recall that the statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

|  | <b>Net Position</b>                       |   |
|--|---|---|
|  | Governmental<br>Activities<br><u>2016</u> | Governmental<br>Activities<br><u>2015</u> |
| <b><u>Assets</u></b>                         |   |   |
| Current and other assets                     | \$ 28,404,421                             | \$ 30,021,919                             |
| Capital assets, net                          | <u>6,989,102</u>                          | <u>6,385,202</u>                          |
| Total assets                                 | <u>35,393,523</u>                         | <u>36,407,121</u>                         |
| <b><u>Deferred Outflows of Resources</u></b> |   |   |
| Pension                                      | <u>2,338,462</u>                          | <u>1,278,281</u>                          |
| Total deferred outflows of resources         | <u>2,338,462</u>                          | <u>1,278,281</u>                          |
| <b><u>Liabilities</u></b>                    |   |   |
| Current liabilities                          | 1,610,586                                 | 1,923,158                                 |
| Long-term liabilities:                       |   |   |
| Due within one year                          | 26,701                                    | 103,080                                   |
| Due in more than one year:                   |   |   |
| Net pension liability                        | 19,774,875                                | 16,986,283                                |
| Other amounts                                | <u>568,488</u>                            | <u>575,502</u>                            |
| Total liabilities                            | <u>21,980,650</u>                         | <u>19,588,023</u>                         |
| <b><u>Deferred Inflows of Resources</u></b>  |   |   |
| Property taxes levied for next year          | 5,238,478                                 | 5,116,425                                 |
| Pensions                                     | <u>1,229,373</u>                          | <u>3,078,169</u>                          |
| Total deferred inflows of resources          | <u>6,467,851</u>                          | <u>8,194,594</u>                          |
| <b><u>Net Position</u></b>                   |   |   |
| Net investment in capital assets             | 6,897,222                                 | 6,255,291                                 |
| Restricted                                   | 4,705,753                                 | 5,414,107                                 |
| Unrestricted (deficit)                       | <u>(2,319,491)</u>                        | <u>(1,766,613)</u>                        |
| Total net position                           | <u>\$ 9,283,484</u>                       | <u>\$ 9,902,785</u>                       |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$9,283,484.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

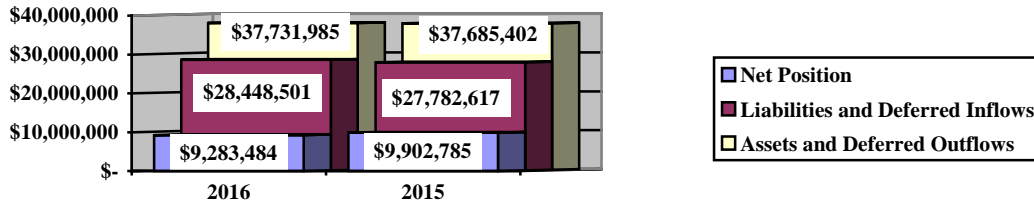
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

At year-end, capital assets represented 19.75% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2016, was \$6,897,222. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$4,705,753, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$2,319,491).

The table below illustrates the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016 and June 30, 2015.

**Governmental Activities**



The table below shows the change in net position for fiscal years 2016 and 2015.

**Change in Net Position**

|                                    | Governmental<br>Activities<br><u>2016</u> | Governmental<br>Activities<br><u>2015</u> |
|------------------------------------|---|---|
| <b><u>Revenues</u></b>             |   |   |
| Program revenues:                  |   |   |
| Charges for services and sales     | \$ 1,666,857                              | \$ 1,945,518                              |
| Operating grants and contributions | 2,025,652                                 | 1,918,570                                 |
| General revenues:                  |   |   |
| Property taxes                     | 5,986,360                                 | 6,420,825                                 |
| Grants and entitlements            | 6,143,564                                 | 6,393,134                                 |
| Investment earnings                | 193,798                                   | 86,576                                    |
| Other                              | <u>16,652</u>                             | <u>51,459</u>                             |
| <br>Total revenues                 | <br><u>16,032,883</u>                     | <br><u>16,816,082</u>                     |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Change in Net Position**

|                                   | Governmental<br>Activities<br><u>2016</u> | Governmental<br>Activities<br><u>2015</u> |
|-----------------------------------|---|---|
| <b><u>Expenses</u></b>            |   |   |
| Program expenses:                 |   |   |
| Instruction:                      |   |   |
| Regular                           | \$ 1,936,105                              | \$ 1,297,217                              |
| Special                           | 802,415                                   | 538,973                                   |
| Vocational                        | 7,178,702                                 | 5,831,989                                 |
| Adult/continuing                  | 1,059,344                                 | 1,218,685                                 |
| Other                             | 21,495                                    | 116,205                                   |
| Support services:                 |   |   |
| Pupil                             | 1,067,676                                 | 845,368                                   |
| Instructional staff               | 208,331                                   | 223,753                                   |
| Board of education                | 26,481                                    | 21,804                                    |
| Administration                    | 1,416,013                                 | 1,362,197                                 |
| Fiscal                            | 463,435                                   | 434,207                                   |
| Business                          | 82,616                                    | 80,283                                    |
| Operations and maintenance        | 1,664,235                                 | 1,698,092                                 |
| Pupil transportation              | 10,918                                    | 27,808                                    |
| Central                           | 246,950                                   | 212,653                                   |
| Other non-instructional services  | -   | 2,000                                     |
| Food service operations           | 454,275                                   | 384,735                                   |
| Extracurricular activities        | 7,779                                     | 7,308                                     |
| Interest and fiscal charges       | 5,414                                     | 6,645                                     |
| <b>Total expenses</b>             | <b><u>16,652,184</u></b>                  | <b><u>14,309,922</u></b>                  |
| Change in net position            | (619,301)                                 | 2,506,160                                 |
| Net position at beginning of year | <u>9,902,785</u>                          | <u>7,396,625</u>                          |
| Net position at end of year       | <b><u>\$ 9,283,484</u></b>                | <b><u>\$ 9,902,785</u></b>                |

**Governmental Activities**

Net position of the District's governmental activities decreased \$619,301. Total governmental expenses of \$16,652,184 were offset by program revenues of \$3,692,509 and general revenues of \$12,340,374. Program revenues supported 22.17% of the total governmental expenses.

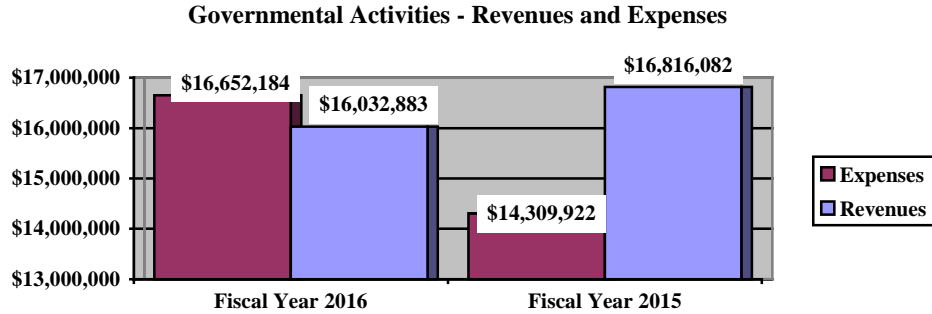
The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 75.66% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,998,061 or 66.05% of total governmental expenses for fiscal year 2016.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2016 and 2015.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues.

|                                  | <b>Governmental Activities</b> |                      |                      |                      |
|----------------------------------|--------------------------------|----------------------|----------------------|----------------------|
|                                  | Total Cost of                  | Net Cost of          | Total Cost of        | Net Cost of          |
|                                  | Services                       | Services             | Services             | Services             |
|                                  | 2016                           | 2016                 | 2015                 | 2015                 |
| <b>Program expenses</b>          |                                |                      |                      |                      |
| Instruction:                     |                                |                      |                      |                      |
| Regular                          | \$ 1,936,105                   | \$ 1,936,105         | \$ 1,297,217         | \$ 1,297,217         |
| Special                          | 802,415                        | 729,270              | 538,973              | 469,887              |
| Vocational                       | 7,178,702                      | 5,642,404            | 5,831,989            | 4,349,618            |
| Adult/continuing                 | 1,059,344                      | 102,778              | 1,218,685            | (756)                |
| Other                            | 21,495                         | 21,495               | 116,205              | 116,205              |
| Support services:                |                                |                      |                      |                      |
| Pupil                            | 1,067,676                      | 824,873              | 845,368              | 630,595              |
| Instructional staff              | 208,331                        | 202,866              | 223,753              | 217,292              |
| Board of education               | 26,481                         | 26,481               | 21,804               | 21,804               |
| Administration                   | 1,416,013                      | 1,148,160            | 1,362,197            | 1,091,371            |
| Fiscal                           | 463,435                        | 463,435              | 434,207              | 430,605              |
| Business                         | 82,616                         | 82,616               | 80,283               | 80,283               |
| Operations and maintenance       | 1,664,235                      | 1,664,235            | 1,698,092            | 1,698,092            |
| Pupil transportation             | 10,918                         | 10,918               | 27,808               | 27,808               |
| Central                          | 246,950                        | 98,741               | 212,653              | 40,193               |
| Other non-instructional services | -                              | -                    | 2,000                | 2,000                |
| Food service operations          | 454,275                        | (7,895)              | 384,735              | (40,333)             |
| Extracurricular activities       | 7,779                          | 7,779                | 7,308                | 7,308                |
| Interest and fiscal charges      | 5,414                          | 5,414                | 6,645                | 6,645                |
| <b>Total expenses</b>            | <u>\$ 16,652,184</u>           | <u>\$ 12,959,675</u> | <u>\$ 14,309,922</u> | <u>\$ 10,445,834</u> |

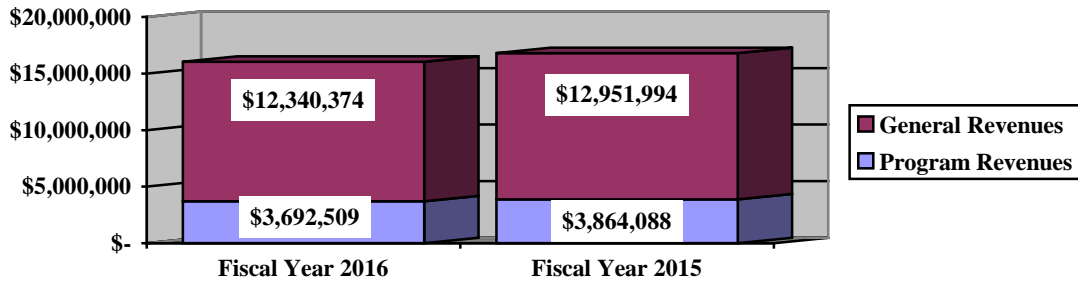
The dependence upon tax and other general revenues for governmental activities is apparent, as 76.67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.11%. The District's taxpayers and State funding are the primary support for District's students.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The graph below presents the District's governmental activities revenue for fiscal year 2016 and 2015.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$21,097,404 which is more than last year's total of \$20,567,802. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

|                    | Fund Balance<br><u>June 30, 2016</u> | Fund Balance<br><u>June 30, 2015</u> | Increase<br><u>(Decrease)</u> | Percentage<br><u>Change</u> |
|--------------------|--------------------------------------|--------------------------------------|-------------------------------|-----------------------------|
| General            | \$ 16,480,957                        | \$ 15,404,582                        | \$ 1,076,375                  | 6.99 %                      |
| Building           | 3,228,597                            | 3,822,579                            | (593,982)                     | (15.54) %                   |
| Other Governmental | <u>1,387,850</u>                     | <u>1,340,641</u>                     | <u>47,209</u>                 | 3.52 %                      |
| Total              | <u>\$ 21,097,404</u>                 | <u>\$ 20,567,802</u>                 | <u>\$ 529,602</u>             | 2.57 %                      |

**General Fund**

The increase in tuition is due to an increase in open enrollment and other tuition revenues. The increase in earnings on investments was primarily due to an increase in investment accounts and fair market value adjustments. The decrease in charges for services was due to a decrease in rotary fund customer services. Other revenue decreased primarily due to decreases in sale of assets. The increase in expenditures is primarily due to the increase in vocational instruction expenditures. All other revenues and district expenditures remained relatively consistent with the prior year.



**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The table that follows assists in illustrating the general fund revenues for fiscal years 2016 and 2015.

|                                  | <u>2016</u><br><u>Amount</u> | <u>2015</u><br><u>Amount</u> | <u>Increase</u><br><u>(Decrease)</u> | <u>Percentage</u><br><u>Change</u> |
|----------------------------------|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <b><u>Revenues</u></b>           |                              |                              |                                      |                                    |
| Taxes                            | \$ 5,566,872                 | \$ 5,958,389                 | \$ (391,517)                         | (6.57) %                           |
| Tuition                          | 341,324                      | 244,443                      | 96,881                               | 39.63 %                            |
| Earnings on investments          | 176,155                      | 64,134                       | 112,021                              | 174.67 %                           |
| Charges for services             | 231,818                      | 397,501                      | (165,683)                            | (41.68) %                          |
| Classroom materials and fees     | 62,648                       | 57,070                       | 5,578                                | 9.77 %                             |
| Intergovernmental                | 6,936,412                    | 7,067,863                    | (131,451)                            | (1.86) %                           |
| Other revenues                   | <u>26,687</u>                | <u>55,392</u>                | <u>(28,705)</u>                      | (51.82) %                          |
| Total                            | <u>\$ 13,341,916</u>         | <u>\$ 13,844,792</u>         | <u>\$ (502,876)</u>                  | (3.63) %                           |
| <b><u>Expenditures</u></b>       |                              |                              |                                      |                                    |
| Instruction                      | \$ 7,935,999                 | \$ 7,625,949                 | \$ 310,050                           | 4.07 %                             |
| Support services                 | 4,278,203                    | 4,260,235                    | 17,968                               | 0.42 %                             |
| Other non-instructional services | -                            | 2,000                        | (2,000)                              | 100.00 %                           |
| Extracurricular activities       | 7,894                        | 7,706                        | 188                                  | 2.44 %                             |
| Capital outlay                   | -                            | 134,376                      | (134,376)                            | 100.00 %                           |
| Debt service                     | <u>43,445</u>                | <u>44,883</u>                | <u>(1,438)</u>                       | (3.20) %                           |
| Total                            | <u>\$ 12,265,541</u>         | <u>\$ 12,075,149</u>         | <u>\$ 190,392</u>                    | 1.58 %                             |

***Building Fund***

The building fund had \$509,916 in revenues and \$1,103,898 in expenditures. Expenditures in the building fund increased \$304,392 due to the completion of parking lot lighting improvements in fiscal year 2016. The building fund's fund balance decreased \$593,982 from \$3,822,579 to \$3,228,597 during fiscal year 2016.

***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.

During the course of fiscal year 2016, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$12,918,000 which was \$105,000 less than final budgeted revenues and other financing sources of \$13,023,000. Actual revenues and other financing sources for fiscal year 2016 were \$13,170,518. This represents a \$147,518 increase over final budgeted revenues.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$13,093,768. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$12,182,038, which was \$911,730 less than the final budget appropriations, due to controls on spending.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2016, the District had \$6,989,102 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2016 balances compared to 2015:

**Capital Assets at June 30, 2016  
(Net of Depreciation)**

|                           | Governmental Activities |              |
|---------------------------|-------------------------|--------------|
|                           | 2016                    | 2015         |
| Land                      | \$ 582,550              | \$ 582,550   |
| Construction in progress  | -                       | 501,430      |
| Land improvements         | 1,159,166               | 30,893       |
| Building and improvements | 3,684,682               | 3,472,572    |
| Furniture and equipment   | 1,532,265               | 1,748,141    |
| Vehicles                  | 30,439                  | 49,616       |
| Total                     | \$ 6,989,102            | \$ 6,385,202 |

The overall increase in capital assets of \$603,900 is due to capital outlays of \$1,719,096 exceeding depreciation expense of \$613,766 and disposals of \$501,430 (net of accumulated depreciation) in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2016, the District had \$91,880 in capital lease obligations outstanding. Of this total, \$26,701 is due within one year and \$65,179 is due within greater than one year. The following table summarizes the outstanding debt at year end.

**Outstanding Debt, at Year End**

|                           | Governmental<br>Activities<br><u>2016</u> | Governmental<br>Activities<br><u>2015</u> |
|---------------------------|---|---|
| Capital lease obligations | \$ 91,880                                 | \$ 129,911                                |
| Total                     | \$ 91,880                                 | \$ 129,911                                |

See Note 11 to the basic financial statements for additional information on the District's long-term obligations.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Current Financial Related Activities**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast.

The financial future of the District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system.

Although the District relies heavily on its property taxpayers to support its operations, the community support for the District is quite strong. Both of our levies have been renewed by an overwhelming margin. The District expects to have a positive general fund balance through 2020. We have tried to communicate to the public the service that our District provides to the community. We have a very strong adult education program that services many of our community members. The District has a strong public relations campaign that explains to the public what we are trying to do.

Externally, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional educational funding system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its additional financial support toward Career District's with little property tax wealth. In May of 2001, 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 issue creating the inequities. In December, 2002, the Ohio Supreme Court issued its latest opinion that Ohio's current school funding system is unconstitutional. However, the Supreme Court also relinquished jurisdiction over the case and directed the "...Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The District does anticipate an increase in the State revenue. Under the State budget that was enacted in June, 2015. The Career Center is expected to receive additional revenue locally, from a replacement levy that was approved by the voters in November 2012. Enrollment is beginning to increase slightly.

As a result of the challenges mentioned above, it is imperative that the District's management continue to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

**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 that the District is accountable for the money it receives. If you have questions about this report or need additional financial information contact Ms. Cheryl A. Pritts, Treasurer, Buckeye Joint Vocational School, 545 University Drive NE, New Philadelphia, OH 44663, or email at [cpritts@buckeyecareercenter.org](mailto:cpritts@buckeyecareercenter.org).

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**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>   |                                    |
| Equity in pooled cash and cash equivalents . . . . .     | \$ 21,413,031                      |
| Cash with fiscal agent . . . . .                         | 470,955                            |
| Receivables:   |                                    |
| Property taxes . . . . .                                 | 6,244,611                          |
| Accounts . . . . .                                       | 21,450                             |
| Accrued interest . . . . .                               | 19,325                             |
| Intergovernmental . . . . .                              | 132,321                            |
| Materials and supplies inventory . . . . .               | 97,005                             |
| Inventory held for resale . . . . .                      | 5,723                              |
| Capital assets:  |                                    |
| Land and construction in progress . . . . .              | 582,550                            |
| Depreciable capital assets, net . . . . .                | <u>6,406,552</u>                   |
| Capital assets, net . . . . .                            | <u>6,989,102</u>                   |
| Total assets . . . . .                                   | <u>35,393,523</u>                  |
| <b>Deferred outflows of resources:</b>                   |                                    |
| Pension - STRS . . . . .                                 | 1,809,590                          |
| Pension - SERS . . . . .                                 | <u>528,872</u>                     |
| Total deferred outflows of resources . . . . .           | <u>2,338,462</u>                   |
| <b>Liabilities:</b>                                      |                                    |
| Accounts payable . . . . .                               | 62,782                             |
| Accrued wages and benefits payable . . . . .             | 972,319                            |
| Intergovernmental payable . . . . .                      | 47,987                             |
| Pension and postemployment benefits payable . . . . .    | 126,091                            |
| Claims payable . . . . .                                 | 302,189                            |
| Accrued vacation payable . . . . .                       | 99,218                             |
| Long-term liabilities:                                   |                                    |
| Due within one year . . . . .                            | 26,701                             |
| Due in more than one year:                               |                                    |
| Net pension liability . . . . .                          | 19,774,875                         |
| Other amounts due in more than one year . . . . .        | <u>568,488</u>                     |
| Total liabilities . . . . .                              | <u>21,980,650</u>                  |
| <b>Deferred inflows of resources:</b>                    |                                    |
| Property taxes levied for the next fiscal year . . . . . | 5,238,478                          |
| Pension - STRS . . . . .                                 | 1,147,339                          |
| Pension - SERS . . . . .                                 | <u>82,034</u>                      |
| Total deferred inflows of resources . . . . .            | <u>6,467,851</u>                   |
| <b>Net position:</b>                                     |                                    |
| Net investment in capital assets . . . . .               | 6,897,222                          |
| Restricted for:  |                                    |
| Capital projects . . . . .                               | 3,244,280                          |
| State funded programs . . . . .                          | 18,631                             |
| Federally funded programs . . . . .                      | 62,356                             |
| Adult education . . . . .                                | 1,380,486                          |
| Unrestricted (deficit) . . . . .                         | <u>(2,319,491)</u>                 |
| Total net position . . . . .                             | <u>\$ 9,283,484</u>                |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|  | Expenses             | Program Revenues                  |                                       | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position<br>Governmental<br>Activities |
|--|----------------------|-----------------------------------|---------------------------------------|--|
|  |                      | Charges for<br>Services and Sales | Operating Grants<br>and Contributions |  |
| <b>Governmental activities:</b>                |                      |                                   |                                       |  |
| Instruction:                                   |                      |                                   |                                       |  |
| Regular . . . . .                              | \$ 1,936,105         | \$ -                              | \$ -                                  | \$ (1,936,105)   |
| Special . . . . .                              | 802,415              | -                                 | 73,145                                | (729,270)  |
| Vocational . . . . .                           | 7,178,702            | 645,825                           | 890,473                               | (5,642,404)  |
| Adult/continuing . . . . .                     | 1,059,344            | 602,859                           | 353,707                               | (102,778)  |
| Other . . . . .                                | 21,495               | -                                 | -                                     | (21,495)   |
| Support services:                              |                      |                                   |                                       |  |
| Pupil . . . . .                                | 1,067,676            | 39,052                            | 203,751                               | (824,873)  |
| Instructional staff . . . . .                  | 208,331              | -                                 | 5,465                                 | (202,866)  |
| Board of education . . . . .                   | 26,481               | -                                 | -                                     | (26,481)   |
| Administration . . . . .                       | 1,416,013            | 151,579                           | 116,274                               | (1,148,160)  |
| Fiscal . . . . .                               | 463,435              | -                                 | -                                     | (463,435)  |
| Business . . . . .                             | 82,616               | -                                 | -                                     | (82,616)   |
| Operations and maintenance . . . . .           | 1,664,235            | -                                 | -                                     | (1,664,235)  |
| Pupil transportation . . . . .                 | 10,918               | -                                 | -                                     | (10,918)   |
| Central . . . . .                              | 246,950              | -                                 | 148,209                               | (98,741)   |
| Operation of non-instructional<br>services:    |                      |                                   |                                       |  |
| Food service operations . . . . .              | 454,275              | 227,542                           | 234,628                               | 7,895  |
| Extracurricular activities . . . . .           | 7,779                | -                                 | -                                     | (7,779)  |
| Interest and fiscal charges . . . . .          | 5,414                | -                                 | -                                     | (5,414)  |
| <b>Total governmental activities . . . . .</b> | <b>\$ 16,652,184</b> | <b>\$ 1,666,857</b>               | <b>\$ 2,025,652</b>                   | <b>(12,959,675)</b>  |

**General revenues:**

|  |           |
|--|-----------|
| Property taxes levied for:             |           |
| General purposes . . . . .             | 5,546,529 |
| Capital outlay . . . . .               | 439,831   |
| Grants and entitlements not restricted |           |
| to specific programs . . . . .         | 6,143,564 |
| Investment earnings . . . . .          | 193,798   |
| Miscellaneous . . . . .                | 16,652    |

Total general revenues . . . . . 12,340,374

Change in net position . . . . . (619,301)

**Net position at beginning of year . . . . .** 9,902,785

**Net position at end of year . . . . .** \$ 9,283,484

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

|  | <u>General</u>       | <u>Building</u>     | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|---------------------|--|---|
| <b>Assets:</b>   |                      |                     |  |   |
| Equity in pooled cash and cash equivalents. . . . .            | \$ 16,782,678        | \$ 3,183,266        | \$ 1,447,087                               | \$ 21,413,031                           |
| Receivables:   |                      |                     |  |   |
| Property taxes. . . . .  | 5,865,928            | 378,683             | -  | 6,244,611                               |
| Accounts. . . . .  | 503                  | -                   | 20,947                                     | 21,450                                  |
| Accrued interest. . . . .                                      | 19,325               | -                   | -  | 19,325                                  |
| Intergovernmental. . . . .                                     | -                    | -                   | 132,321                                    | 132,321                                 |
| Materials and supplies inventory. . . . .                      | 97,005               | -                   | -  | 97,005                                  |
| Inventory held for resale. . . . .                             | -                    | -                   | 5,723                                      | 5,723                                   |
| Due from other funds. . . . .                                  | 37,217               | -                   | -  | 37,217                                  |
| Loans to other funds. . . . .                                  | 10,000               | -                   | -  | 10,000                                  |
| Total assets. . . . .  | <u>\$ 22,812,656</u> | <u>\$ 3,561,949</u> | <u>\$ 1,606,078</u>                        | <u>\$ 27,980,683</u>                    |
| <b>Liabilities:</b>  |                      |                     |  |   |
| Accounts payable. . . . .                                      | \$ 57,124            | \$ -                | \$ 5,658                                   | \$ 62,782                               |
| Accrued wages and benefits payable. . . . .                    | 928,973              | -                   | 43,346                                     | 972,319                                 |
| Intergovernmental payable. . . . .                             | 47,721               | -                   | 266  | 47,987                                  |
| Pension and postemployment benefits payable. . . . .           | 120,260              | -                   | 5,831                                      | 126,091                                 |
| Due to other funds. . . . .                                    | -                    | -                   | 37,217                                     | 37,217                                  |
| Loans from other funds. . . . .                                | -                    | -                   | 10,000                                     | 10,000                                  |
| Total liabilities. . . . .                                     | <u>1,154,078</u>     | <u>-</u>            | <u>102,318</u>                             | <u>1,256,396</u>                        |
| <b>Deferred inflows of resources:</b>                          |                      |                     |  |   |
| Property taxes levied for the next fiscal year. . . . .        | 4,920,809            | 317,669             | -  | 5,238,478                               |
| Delinquent property tax revenue not available. . . . .         | 242,928              | 15,683              | -  | 258,611                                 |
| Intergovernmental revenue not available. . . . .               | -                    | -                   | 95,103                                     | 95,103                                  |
| Accrued interest not available. . . . .                        | 13,884               | -                   | -  | 13,884                                  |
| Miscellaneous revenue not available. . . . .                   | -                    | -                   | 20,807                                     | 20,807                                  |
| Total deferred inflows of resources. . . . .                   | <u>5,177,621</u>     | <u>333,352</u>      | <u>115,910</u>                             | <u>5,626,883</u>                        |
| <b>Fund balances:</b>  |                      |                     |  |   |
| Nonspendable:  |                      |                     |  |   |
| Materials and supplies inventory. . . . .                      | 97,005               | -                   | -  | 97,005                                  |
| Long-term loans. . . . .                                       | 10,000               | -                   | -  | 10,000                                  |
| Unclaimed monies. . . . .                                      | 2,043                | -                   | -  | 2,043                                   |
| Restricted:  |                      |                     |  |   |
| Capital improvements. . . . .                                  | -                    | 3,228,597           | -  | 3,228,597                               |
| Adult education. . . . .                                       | -                    | -                   | 1,369,187                                  | 1,369,187                               |
| Food service operations. . . . .                               | -                    | -                   | 32,637                                     | 32,637                                  |
| Other purposes. . . . .  | -                    | -                   | 1,800                                      | 1,800                                   |
| Assigned:  |                      |                     |  |   |
| Student instruction. . . . .                                   | 131,398              | -                   | -  | 131,398                                 |
| Student and staff support. . . . .                             | 91,320               | -                   | -  | 91,320                                  |
| Capital improvements. . . . .                                  | 113,577              | -                   | -  | 113,577                                 |
| Subsequent year's appropriations. . . . .                      | 397,631              | -                   | -  | 397,631                                 |
| School supplies. . . . .                                       | 78,147               | -                   | -  | 78,147                                  |
| Other purposes. . . . .  | 5,237                | -                   | -  | 5,237                                   |
| Unassigned (deficit). . . . .                                  | 15,554,599           | -                   | (15,774)                                   | 15,538,825                              |
| Total fund balances. . . . .                                   | <u>16,480,957</u>    | <u>3,228,597</u>    | <u>1,387,850</u>                           | <u>21,097,404</u>                       |
| Total liabilities, deferred inflows and fund balances. . . . . | <u>\$ 22,812,656</u> | <u>\$ 3,561,949</u> | <u>\$ 1,606,078</u>                        | <u>\$ 27,980,683</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

|  |    |              |              |
|--|----|--------------|--------------|
| <b>Total governmental fund balances</b>  |    | \$           | 21,097,404   |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i>  |    |              |              |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  |    |              | 6,989,102    |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.   |    |              |              |
| Property taxes receivable  | \$ | 258,611      |              |
| Accounts receivable  |    | 20,807       |              |
| Accrued interest receivable  |    | 13,884       |              |
| Intergovernmental receivable   |    | 95,103       |              |
| Total  |    | 388,405      | 388,405      |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. |    |              | 168,766      |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:   |    |              |              |
| Deferred outflows of resources - pension   |    | 2,338,462    |              |
| Deferred inflows of resources - pension  |    | (1,229,373)  |              |
| Net pension liability  |    | (19,774,875) |              |
| Total  |    | (18,665,786) | (18,665,786) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.   |    |              |              |
| Capital lease obligations  |    | (91,880)     |              |
| Sick leave obligation  |    | (503,309)    |              |
| Accrued vacation payable   |    | (99,218)     |              |
| Total  |    | (694,407)    | (694,407)    |
| <b>Net position of governmental activities</b>   |    | \$           | 9,283,484    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   | General              | Building            | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Revenues:</b>                                    |                      |                     |                                   |                                |
| From local sources:                                 |                      |                     |                                   |                                |
| Property taxes . . . . .                            | \$ 5,566,872         | \$ 443,122          | \$ -                              | \$ 6,009,994                   |
| Tuition . . . . .                                   | 341,324              | -                   | 897,603                           | 1,238,927                      |
| Earnings on investments . . . . .                   | 176,155              | 379                 | 5                                 | 176,539                        |
| Charges for services . . . . .                      | -                    | -                   | 227,538                           | 227,538                        |
| Classroom materials and fees . . . . .              | 62,648               | -                   | 14,442                            | 77,090                         |
| Contributions and donations . . . . .               | 1,200                | -                   | -                                 | 1,200                          |
| Contract services . . . . .                         | 231,818              | -                   | -                                 | 231,818                        |
| Other local revenues . . . . .                      | 25,487               | -                   | -                                 | 25,487                         |
| Intergovernmental - state . . . . .                 | 6,936,412            | 66,415              | 295,572                           | 7,298,399                      |
| Intergovernmental - federal . . . . .               | -                    | -                   | 844,128                           | 844,128                        |
| Total revenues . . . . .                            | <u>13,341,916</u>    | <u>509,916</u>      | <u>2,279,288</u>                  | <u>16,131,120</u>              |
| <b>Expenditures:</b>                                |                      |                     |                                   |                                |
| Current:  |                      |                     |                                   |                                |
| Instruction:  |                      |                     |                                   |                                |
| Regular . . . . .                                   | 1,491,436            | -                   | -                                 | 1,491,436                      |
| Special . . . . .                                   | 554,650              | -                   | 67,902                            | 622,552                        |
| Vocational . . . . .                                | 5,868,376            | -                   | 23,527                            | 5,891,903                      |
| Adult/continuing . . . . .                          | -                    | -                   | 1,055,619                         | 1,055,619                      |
| Other . . . . .                                     | 21,537               | -                   | -                                 | 21,537                         |
| Support services:                                   |                      |                     |                                   |                                |
| Pupil . . . . .                                     | 660,492              | -                   | 234,606                           | 895,098                        |
| Instructional staff . . . . .                       | 195,067              | -                   | 4,855                             | 199,922                        |
| Board of education . . . . .                        | 26,562               | -                   | -                                 | 26,562                         |
| Administration . . . . .                            | 1,116,130            | -                   | 289,412                           | 1,405,542                      |
| Fiscal . . . . .                                    | 471,105              | 11,037              | -                                 | 482,142                        |
| Business . . . . .                                  | 83,184               | -                   | -                                 | 83,184                         |
| Operations and maintenance . . . . .                | 1,626,042            | 5,394               | -                                 | 1,631,436                      |
| Pupil transportation . . . . .                      | 1,543                | -                   | -                                 | 1,543                          |
| Central . . . . .                                   | 98,078               | -                   | 137,585                           | 235,663                        |
| Operation of non-instructional services:            |                      |                     |                                   |                                |
| Food service operations . . . . .                   | -                    | -                   | 418,573                           | 418,573                        |
| Extracurricular activities . . . . .                | 7,894                | -                   | -                                 | 7,894                          |
| Facilities acquisition and construction . . . . .   | -                    | 1,087,467           | -                                 | 1,087,467                      |
| Debt service:                                       |                      |                     |                                   |                                |
| Principal retirement . . . . .                      | 38,031               | -                   | -                                 | 38,031                         |
| Interest and fiscal charges . . . . .               | 5,414                | -                   | -                                 | 5,414                          |
| Total expenditures . . . . .                        | <u>12,265,541</u>    | <u>1,103,898</u>    | <u>2,232,079</u>                  | <u>15,601,518</u>              |
| Net change in fund balances . . . . .               | 1,076,375            | (593,982)           | 47,209                            | 529,602                        |
| <b>Fund balances at beginning of year . . . . .</b> | <u>15,404,582</u>    | <u>3,822,579</u>    | <u>1,340,641</u>                  | <u>20,567,802</u>              |
| <b>Fund balances at end of year . . . . .</b>       | <u>\$ 16,480,957</u> | <u>\$ 3,228,597</u> | <u>\$ 1,387,850</u>               | <u>\$ 21,097,404</u>           |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   |              |                  |
|---|--------------|------------------|
| <b>Net change in fund balances - total governmental funds</b>   | \$           | 529,602          |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |              |                  |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.  |              |                  |
| Capital asset additions   | \$ 1,217,666 |                  |
| Current year depreciation   | (613,766)    |                  |
| Total   | 603,900      | 603,900          |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |              |                  |
| Property taxes  | (23,634)     |                  |
| Tuition   | (118,555)    |                  |
| Earnings on investments   | 5,118        |                  |
| Intergovernmental   | 26,688       |                  |
| Total   | (110,383)    | (110,383)        |
| Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.   |              |                  |
|   |              | 38,031           |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.   |              |                  |
|   |              | 1,168,551        |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.  |              |                  |
|   |              | (1,048,166)      |
| Some expenses reported in the statement of activities, such as sick leave obligations and accrued vacation payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.   |              |                  |
|   |              | (14,583)         |
| An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. |              |                  |
|   |              | (1,786,253)      |
| <b>Change in net position of governmental activities</b>  | <b>\$</b>    | <b>(619,301)</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   | <u>Budgeted Amounts</u> |                      |                      | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|----------------------|----------------------|---|
|   | <u>Original</u>         | <u>Final</u>         | <u>Actual</u>        |   |
| <b>Revenues:</b>  |                         |                      |                      |   |
| From local sources:   |                         |                      |                      |   |
| Property taxes . . . . .  | \$ 5,550,000            | \$ 5,550,000         | \$ 5,642,217         | \$ 92,217   |
| Tuition . . . . .   | 245,000                 | 245,000              | 341,324              | 96,324  |
| Earnings on investments . . . . .                                     | 30,000                  | 30,000               | 116,511              | 86,511  |
| Classroom materials and fees . . . . .                                | 20,000                  | 20,000               | 15,653               | (4,347)   |
| Contributions and donations . . . . .                                 | -                       | -                    | 1,200                | 1,200   |
| Contract services. . . . .  | 1,000                   | 1,000                | 596                  | (404)   |
| Other local revenues . . . . .  | 30,000                  | 30,000               | 16,056               | (13,944)  |
| Intergovernmental - state . . . . .                                   | <u>7,010,000</u>        | <u>6,960,000</u>     | <u>6,971,117</u>     | <u>11,117</u>   |
| Total revenues . . . . .  | <u>12,886,000</u>       | <u>12,836,000</u>    | <u>13,104,674</u>    | <u>268,674</u>  |
| <b>Expenditures:</b>  |                         |                      |                      |   |
| Current:  |                         |                      |                      |   |
| Instruction:  |                         |                      |                      |   |
| Regular . . . . .   | 1,530,247               | 1,512,000            | 1,480,137            | 31,863  |
| Special. . . . .  | 592,687                 | 595,500              | 574,254              | 21,246  |
| Vocational. . . . .   | 5,809,792               | 5,945,047            | 5,680,340            | 264,707   |
| Other. . . . .  | 186,045                 | 99,840               | 37,614               | 62,226  |
| Support services:   |                         |                      |                      |   |
| Pupil. . . . .  | 710,306                 | 764,085              | 654,119              | 109,966   |
| Instructional staff . . . . .   | 310,769                 | 257,660              | 215,961              | 41,699  |
| Board of education . . . . .  | 43,869                  | 43,346               | 23,745               | 19,601  |
| Administration. . . . .   | 1,150,382               | 1,136,665            | 1,159,264            | (22,599)  |
| Fiscal . . . . .  | 465,308                 | 459,760              | 473,115              | (13,355)  |
| Business . . . . .  | 85,742                  | 84,720               | 83,283               | 1,437   |
| Operations and maintenance. . . . .                                   | 1,853,928               | 1,881,225            | 1,694,486            | 186,739   |
| Pupil transportation . . . . .  | 2,834                   | 2,800                | 1,630                | 1,170   |
| Central. . . . .  | 89,713                  | 49,120               | 96,170               | (47,050)  |
| Extracurricular activities. . . . .                                   | <u>12,145</u>           | <u>12,000</u>        | <u>7,920</u>         | <u>4,080</u>  |
| Total expenditures . . . . .  | <u>12,843,767</u>       | <u>12,843,768</u>    | <u>12,182,038</u>    | <u>661,730</u>  |
| Excess (deficiency) of revenues over (under)<br>expenditures. . . . . | <u>42,233</u>           | <u>(7,768)</u>       | <u>922,636</u>       | <u>930,404</u>  |
| <b>Other financing sources (uses):</b>                                |                         |                      |                      |   |
| Refund of prior year's expenditures . . . . .                         | -                       | -                    | 567                  | 567   |
| Advances in. . . . .  | -                       | 155,000              | 65,277               | (89,723)  |
| Advances (out) . . . . .  | (250,000)               | (250,000)            | -                    | 250,000   |
| Sale of capital assets . . . . .                                      | 32,000                  | 32,000               | -                    | (32,000)  |
| Total other financing sources (uses) . . . . .                        | <u>(218,000)</u>        | <u>(63,000)</u>      | <u>65,844</u>        | <u>128,844</u>  |
| Net change in fund balance . . . . .                                  | (175,767)               | (70,768)             | 988,480              | 1,059,248   |
| <b>Fund balance at beginning of year . . . . .</b>                    | 15,130,784              | 15,130,784           | 15,130,784           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b>                 | 342,867                 | 342,867              | 342,867              | -   |
| <b>Fund balance at end of year . . . . .</b>                          | <u>\$ 15,297,884</u>    | <u>\$ 15,402,883</u> | <u>\$ 16,462,131</u> | <u>\$ 1,059,248</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

|                                  | <u><b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b></u> |
|----------------------------------|---|
| <b>Assets:</b>                   |   |
| Cash with fiscal agent . . . . . | \$ 470,955  |
| Total assets. . . . .            | <u>470,955</u>  |
| <b>Liabilities:</b>              |   |
| Claims payable . . . . .         | <u>302,189</u>  |
| Total liabilities . . . . .      | <u>302,189</u>  |
| <b>Net position:</b>             |   |
| Unrestricted. . . . .            | <u>168,766</u>  |
| Total net position. . . . .      | <u><u>\$ 168,766</u></u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|  | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|--|--|
| <b>Operating revenues:</b>                         |  |
| Charges for services . . . . .                     | \$ 1,322,073   |
| Total operating revenues . . . . .                 | <u>1,322,073</u>   |
| <b>Operating expenses:</b>                         |  |
| Purchased services . . . . .                       | 348,463  |
| Claims . . . . .                                   | <u>2,772,009</u>   |
| Total operating expenses . . . . .                 | <u>3,120,472</u>   |
| Operating loss . . . . .                           | <u>(1,798,399)</u>   |
| <b>Nonoperating revenues:</b>                      |  |
| Interest revenue . . . . .                         | 12,146   |
| Total nonoperating revenues . . . . .              | <u>12,146</u>  |
| Change in net position . . . . .                   | (1,786,253)  |
| <b>Net position at beginning of year . . . . .</b> | <u>1,955,019</u>   |
| <b>Net position at end of year . . . . .</b>       | <u>\$ 168,766</u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|---|--|
| <b>Cash flows from operating activities:</b>  |  |
| Cash received from charges for services . . . . .                                       | \$ 1,322,073   |
| Cash payments for contractual services . . . . .  | (348,463)  |
| Cash payments for claims . . . . .  | <u>(2,633,150)</u>   |
| Net cash used by operating activities . . . . .   | <u>(1,659,540)</u>   |
| <b>Cash flows from investing activities:</b>  |  |
| Interest received . . . . .   | <u>12,146</u>  |
| Net cash provided by investing activities . . . . .                                     | <u>12,146</u>  |
| Net decrease in cash with fiscal agent . . . . .  | (1,647,394)  |
| <b>Cash with fiscal agent at beginning of year . . . . .</b>                            | <u>2,118,349</u>   |
| <b>Cash with fiscal agent at end of year . . . . .</b>                                  | <u><u>\$ 470,955</u></u>   |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |  |
| Operating loss . . . . .  | \$ (1,798,399)   |
| Changes in liabilities:   |  |
| Increase in claims payable . . . . .  | <u>138,859</u>   |
| Net cash used by operating activities . . . . .   | <u><u>\$ (1,659,540)</u></u>                                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

|  | <b>Private-Purpose Trust</b> |               |
|--|------------------------------|---------------|
|  | <b>Scholarship</b>           | <b>Agency</b> |
| <b>Assets:</b>                                       |                              |               |
| Equity in pooled cash and cash equivalents . . . . . | \$ 83,366                    | \$ 56,113     |
| Receivables:   |                              |               |
| Accrued interest. . . . .                            | 30                           | -             |
| Total assets. . . . .                                | 83,396                       | \$ 56,113     |
| <b>Liabilities:</b>                                  |                              |               |
| Accounts payable. . . . .                            | -                            | \$ 132        |
| Due to students. . . . .                             | -                            | 55,981        |
| Total liabilities . . . . .                          | -                            | \$ 56,113     |
| <b>Net position:</b>                                 |                              |               |
| Held in trust for scholarships . . . . .             | 83,396                       |               |
| Total net position. . . . .                          | \$ 83,396                    |               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   | <b>Private-Purpose<br/>Trust</b> |
|---|----------------------------------|
|   | <b>Scholarship</b>               |
| <b>Additions:</b>                                 |                                  |
| Interest . . . . .                                | \$ 188                           |
| <b>Deductions:</b>                                |                                  |
| Other . . . . .                                   | 150                              |
| Change in net position . . . . .                  | 38                               |
| <b>Net position at beginning of year. . . . .</b> | <b>83,358</b>                    |
| <b>Net position at end of year . . . . .</b>      | <b>\$ 83,396</b>                 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

The Buckeye Joint Vocational School District (the "District") is defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District exposes students to job training leading to employment upon graduation from high school. The District encompasses eleven members spread throughout Carroll, Coshocton, Guernsey, Harrison, Holmes, Stark, Tuscarawas and Wayne counties.

The District operates under an eleven member board representing Dover, New Philadelphia, Carrollton, Garaway, East Holmes, Strasburg, Conotton Valley, Claymont, Newcomerstown, Indian Valley and Tuscarawas Valley School Districts. Each Board member is elected to their home District and then appointed to the District's Board. The District provides educational services as authorized by State statute and federal guidelines. The District employs 80 certified employees, 9 administrators and 28 non-certified employees who provide services to 760 students and 1,000 adult education students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District.

*JOINTLY GOVERNED ORGANIZATION*

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Monroe, Muskingum, Noble and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating Districts' elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing to member Districts. The Jefferson County Educational Service Center serves as fiscal agent and receives funding from the State Department of Education. The District paid \$30,207 to OME-RESA during fiscal year 2016 for services. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Steubenville, Ohio 43952.

*INSURANCE PURCHASING POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Ohio School Plan

The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency Inc., 246 East Sycamore Street, Columbus, Ohio 43205.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*PUBLIC ENTITY RISK POOLS*

Jefferson Health Plan (JHP) Health Benefits Program

The JHP is a council of governments of school districts and other political subdivisions organized and existing as a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code providing health care and related insurance benefits to over fifty member organizations. The JHP's business affairs are conducted by a Board of Directors elected from member organizations and composed of one representative from each county served and a career center representative. Each member organization pays a monthly premium based on its claims history and a monthly administration fee.

**B. Fund Accounting**

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*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 deferred outflows and liabilities and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Building fund - The building capital projects fund accounts for tax revenues that are used for any updates or major building renovations.

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, dental and vision benefits to employees.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for donated monies restricted to provide college scholarship assistance to a graduate of the District. The District's agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The agency funds reflect resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current deferred outflows and current liabilities and deferred inflows 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for services. Operating expenses for the internal service fund includes claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. 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 on the fund financial statements. Proprietary and Fiduciary funds use the accrual basis of accounting.

*Revenues - Exchange and Nonexchange 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. 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, include 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 6). 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 fiscal 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 fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 14 for deferred outflows of resources related the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 14 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Tax Budget

Tuscarawas County has waived the requirement of the formal tax budget. The county budget commission requires tax levy fund information and summary data for all funds to be submitted to the County Auditor, as Secretary of the County Budget Commission, by April 1<sup>st</sup> of each year, for the period July 1 to June 30 of the following year.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final certificate of estimated resources issued during fiscal year 2016.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate of estimated resources saying no new certificate of estimated resources is necessary, the annual appropriations resolution must be legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriations resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, supplemental appropriations were legally enacted.

The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the fiscal year for all funds, other than agency funds, consistent with statutory provisions.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

During fiscal year 2016, investments consisted of federal agency securities, negotiable certificates of deposit (CDs) and a money market account, and the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 shares price which is the price the investment could be sold for on June 30, 2016.

Under existing Ohio statute, interest earnings are allocated to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$176,155, which included \$48,362 assigned from other District funds.

For presentation on the statement of net position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed/expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

All capital assets of the District are classified as general capital assets. These 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 position, but are not reported in the fund financial statements.



**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. During fiscal year 2016, the District increased its capitalization threshold to \$5,000. Donated capital assets are recorded at their fair market values as of the date received. 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>         | <u>Governmental<br/>Activities<br/>Estimated Lives</u> |
|----------------------------|--|
| Land improvements          | 20 years   |
| Buildings and improvements | 25 - 50 years  |
| Furniture and equipment    | 5 - 20 years   |
| Vehicles                   | 8 years  |

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "loans to/from other funds". On fund financial statements, receivables and payables resulting from cash deficits among the governmental activities are classified as "due to/ from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees that will meet the eligibility limits within the next four years are expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. 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 funds. However, compensated absences 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 during the current year.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 amount restricted for other purposes represents amounts restricted for adult education.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund, including claims and administrative expenses. Revenues and expenses not reported as operating are reported as nonoperating revenues and expenses.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. 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 basic financial statements.

**R. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

**T. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)**

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

| <u>Nonmajor funds</u>            | <u>Deficit</u> |
|----------------------------------|----------------|
| Vocational Education Enhancement | \$ 2,196       |
| Adult Basic Education            | 3,311          |
| Vocational Education             | 10,267         |

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**C. Noncompliance**

Contrary to Ohio Revised Code § 5705.10(C), a property tax receipt was not included in the correct funds resulting in adjustments to the General and Building fund's cash balances.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statute classifies monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Interim deposits must be evidenced by time certificates of deposit or by savings accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instrument rated 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 (FDIC), by eligible securities pledged by the finance 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 monies 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At fiscal year end, the District had \$325 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents.”

**B. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2016 was \$470,955. This amount is not included in the “deposits” or “investments” reported below.

**C. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$9,083,116. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$5,726,275 of the District’s bank balance of \$9,275,374 was exposed to custodial risk as discussed below, while \$3,549,099 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute.

**D. Investments**

As of June 30, 2016, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u>    | <u>Investment Maturities</u> |                       |                        |                        |                               |
|------------------------|----------------------|------------------------------|-----------------------|------------------------|------------------------|-------------------------------|
|                        |                      | <u>6 months or less</u>      | <u>7 to 12 months</u> | <u>13 to 18 months</u> | <u>19 to 24 months</u> | <u>Greater than 24 months</u> |
| FFCB                   | \$ 1,500,358         | \$ -                         | \$ -                  | \$ 1,000,529           | \$ -                   | \$ 499,829                    |
| FHLB                   | 1,051,958            | -                            | 1,051,958             | -                      | -                      | -                             |
| FHLMC                  | 2,426,691            | -                            | -                     | 1,000,874              | -                      | 1,425,817                     |
| FNMA                   | 3,385,244            | -                            | -                     | 1,083,761              | 1,196,068              | 1,105,415                     |
| FHLB discount note     | 829,922              | 829,922                      | -                     | -                      | -                      | -                             |
| Negotiable CDs         | 1,765,872            | -                            | -                     | 247,096                | -                      | 1,518,776                     |
| STAR Ohio              | 1,506,376            | 1,506,376                    | -                     | -                      | -                      | -                             |
| Money Market           | 2,648                | 2,648                        | -                     | -                      | -                      | -                             |
| Total                  | <u>\$ 12,469,069</u> | <u>\$ 2,338,946</u>          | <u>\$ 1,051,958</u>   | <u>\$ 3,332,260</u>    | <u>\$ 1,196,068</u>    | <u>\$ 4,549,837</u>           |

The weighted average maturity of investments is 1.70 years.

The District’s investments in federal agency securities, negotiable certificates of deposit, and money markets are valued using quoted market prices (Level 1 inputs).

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments in Federal Agency securities were rated AA+ and Aaa by Standard and Poor's and Moody's Investor Services, respectively. The District's investment in the FHLB discount note was rated A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively. The money market and negotiable CDs were not rated. The negotiable CDs were fully covered by the FDIC. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, 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. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

| <u>Investment type</u> | <u>Fair Value</u>    | <u>% to Total</u> |
|------------------------|----------------------|-------------------|
| FFCB                   | \$ 1,500,358         | 12.03             |
| FHLB                   | 1,051,958            | 8.44              |
| FHLMC                  | 2,426,691            | 19.46             |
| FNMA                   | 3,385,244            | 27.16             |
| FHLB discount note     | 829,922              | 6.65              |
| Negotiable CDs         | 1,765,872            | 14.16             |
| STAR Ohio              | 1,506,376            | 12.08             |
| Money Market           | 2,648                | 0.02              |
| Total                  | <u>\$ 12,469,069</u> | <u>100.00</u>     |



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

| <u>Cash and investments per note</u> |                      |
|--------------------------------------|----------------------|
| Carrying amount of deposits          | \$ 9,083,116         |
| Investments                          | 12,469,069           |
| Cash with fiscal agent               | 470,955              |
| Cash on hand                         | <u>325</u>           |
| Total                                | <u>\$ 22,023,465</u> |

| <u>Cash and investments per statement of net position</u> |                      |
|---|----------------------|
| Governmental activities                                   | \$ 21,883,986        |
| Private-purpose trust fund                                | 83,366               |
| Agency fund   | <u>56,113</u>        |
| Total   | <u>\$ 22,023,465</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Long-term interfund loans consisted of the following at June 30, 2016, as reported on the fund statements:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u>    |
|------------------------|---------------------|------------------|
| General fund           | Food Service fund   | <u>\$ 10,000</u> |

The primary purpose of the loan is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

- B. Interfund balances at June 30, 2016, as reported on the fund statements consist of \$37,217 due to the general fund from various nonmajor governmental funds. The primary purpose of the due to/from other funds is to cover negative cash in those funds. The interfund balances will be repaid once the anticipated revenues are received.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

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TUSCARAWAS COUNTY, OHIO**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 6 - PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Tuscarawas, Carroll, Harrison, Stark, Holmes, Wayne, Coshocton and Guernsey Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$702,191 in the general fund and \$45,331 in the building fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$578,858 in the general fund and \$41,720 in the building fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2016 taxes were collected are:

|   | 2015 Second<br>Half Collections |                | 2016 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 2,511,470,250                | 93.21          | \$ 2,638,918,080               | 91.73          |
| Public utility personal                           | <u>183,045,870</u>              | <u>6.79</u>    | <u>238,022,210</u>             | <u>8.27</u>    |
| Total   | <u>\$ 2,694,516,120</u>         | <u>100.00</u>  | <u>\$ 2,876,940,290</u>        | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$2.80                          |                | \$2.80                         |                |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

|                   |                     |
|-------------------|---------------------|
| Taxes             | \$ 6,244,611        |
| Accounts          | 21,450              |
| Intergovernmental | 132,321             |
| Accrued interest  | <u>19,325</u>       |
| Total receivables | <u>\$ 6,417,707</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

|   | Balance<br><u>6/30/15</u> | <u>Additions</u>    | <u>Deductions</u>   | Balance<br><u>6/30/16</u> |
|---|---------------------------|---------------------|---------------------|---------------------------|
| <b>Governmental activities:</b>             |                           |                     |                     |                           |
| Capital assets, not being depreciated:      |                           |                     |                     |                           |
| Land  | \$ 582,550                | \$ -                | \$ -                | \$ 582,550                |
| Construction in progress                    | <u>501,430</u>            | <u>-</u>            | <u>(501,430)</u>    | <u>-</u>                  |
| Total capital assets, not being depreciated | <u>1,083,980</u>          | <u>-</u>            | <u>(501,430)</u>    | <u>582,550</u>            |
| Capital assets, being depreciated:          |                           |                     |                     |                           |
| Land improvements                           | 869,233                   | 1,162,615           | -                   | 2,031,848                 |
| Buildings and improvements                  | 13,622,271                | 408,758             | -                   | 14,031,029                |
| Furniture and equipment                     | 6,468,189                 | 147,723             | (85,761)            | 6,530,151                 |
| Vehicles                                    | <u>510,216</u>            | <u>-</u>            | <u>-</u>            | <u>510,216</u>            |
| Total capital assets, being depreciated     | <u>21,469,909</u>         | <u>1,719,096</u>    | <u>(85,761)</u>     | <u>23,103,244</u>         |
| Less: accumulated depreciation:             |                           |                     |                     |                           |
| Land improvements                           | (838,340)                 | (34,342)            | -                   | (872,682)                 |
| Buildings and improvements                  | (10,149,699)              | (196,648)           | -                   | (10,346,347)              |
| Furniture and equipment                     | (4,720,048)               | (363,599)           | 85,761              | (4,997,886)               |
| Vehicles                                    | <u>(460,600)</u>          | <u>(19,177)</u>     | <u>-</u>            | <u>(479,777)</u>          |
| Total accumulated depreciation              | <u>(16,168,687)</u>       | <u>(613,766)</u>    | <u>85,761</u>       | <u>(16,696,692)</u>       |
| Governmental activities capital assets, net | <u>\$ 6,385,202</u>       | <u>\$ 1,105,330</u> | <u>\$ (501,430)</u> | <u>\$ 6,989,102</u>       |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

|                            |                   |
|----------------------------|-------------------|
| Instruction:               |                   |
| Regular                    | \$ 15,114         |
| Vocational                 | 569,168           |
| Adult/continuing education | 8,916             |
| Support Services:          |                   |
| Instructional staff        | 3,040             |
| Administration             | 1,517             |
| Operations and maintenance | 6,324             |
| Pupil transportation       | 9,385             |
| Food service operations    | <u>302</u>        |
| Total depreciation expense | <u>\$ 613,766</u> |

**NOTE 9 - OPERATING LEASE - LESSEE AND LESSOR DISCLOSURE**

The District is the lessor of oil and gas rights on certain land parcels owned by the District to the Sound Energy Company and Greenwood Resources, LLC. The lease agreements are from February 22, 2012 through February 21, 2017. The District received ten dollars at the execution of the lease and will receive one-eighth of the net revenue realized by the lessee for all oil and gas. The District did not receive any oil and gas lease revenue during fiscal year 2016.

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In the current and previous years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$254,485. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2016 was \$131,747, leaving a current book value of \$122,738. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2016 totaled \$38,031 paid by the general fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2016:

| <u>Fiscal Year Ending June 30</u>  | <u>Amount</u>    |
|------------------------------------|------------------|
| 2017                               | \$ 30,688        |
| 2018                               | 30,688           |
| 2019                               | 30,688           |
| 2020                               | <u>7,672</u>     |
| Total minimum lease payments       | 99,736           |
| Less: amount representing interest | <u>(7,856)</u>   |
| Total                              | <u>\$ 91,880</u> |

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. The changes in the District's long-term obligations during the year consist of the following.

|  | <u>Balance</u><br><u>6/30/15</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>Balance</u><br><u>6/30/16</u> | <u>Amounts</u><br><u>Due in</u><br><u>One Year</u> |
|--|----------------------------------|---------------------|---------------------|----------------------------------|--|
| <b>Governmental activities:</b>                        |                                  |                     |                     |                                  |  |
| Sick leave   | \$ 548,671                       | \$ 48,400           | \$ (93,762)         | \$ 503,309                       | \$ -   |
| Net pension liability                                  | 16,986,283                       | 2,788,592           | -                   | 19,774,875                       | -  |
| Capital lease obligation                               | <u>129,911</u>                   | <u>-</u>            | <u>(38,031)</u>     | <u>91,880</u>                    | <u>26,701</u>                                      |
| Total governmental activities<br>long-term liabilities | <u>\$ 17,664,865</u>             | <u>\$ 2,836,992</u> | <u>\$ (131,793)</u> | <u>\$ 20,370,064</u>             | <u>\$ 26,701</u>                                   |

Sick leave will be paid from the fund from which the employee is paid, which is primarily the general fund, adult education fund (a nonmajor governmental fund), adult basic education fund (a nonmajor governmental fund) and the food service fund (a nonmajor governmental fund).

Capital lease obligation: See Note 10 for detail on the District's capital lease obligation.

Net Pension Liability - See Note 14 for detail on the District's net pension liability.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**B. 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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$258,924,626 and an unvoted debt margin of \$2,876,940.

**NOTE 12 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2016, the District contracted with Ohio Casualty Insurance Company for property and general liability insurance. Liberty Mutual Insurance Company also covers commercial property, crime, inland marine, and boiler and machinery with a blanket \$54,923,977 insured value and a \$1,000 deductible.

Professional liability is provided by the Ohio School Plan with \$3,000,000 single occurrence and a \$5,000,000 aggregate limit and no deductible. Vehicles are covered by Indiana Insurance Company with comprehensive coverage and a \$250 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the last three years and there have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

For fiscal year 2016, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as on experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the group 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. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per year, depending on the length of service. Vacation days are credited to the classified employees on September 1 of each year. Vacation cannot be carried forward. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave can be accumulated to a maximum of 225 days. Upon retirement, payment is made for 28 percent of the total sick leave accumulation, up to a maximum accumulation of 63 days severance pay at the daily rate of the employee.

**B. Employee Group Medical/Surgical, Dental and Vision Insurance**

Medical/surgical, dental and vision insurance is offered to employees through a self-insurance internal service fund. The District is a member of the JHP Health Benefits Program. The claims liability of \$302,189 reported in the internal service fund at June 30, 2016 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity are as follows:

| <u>Fiscal<br/>Year</u> | <u>Balance at<br/>Beginning of Year</u> | <u>Current Year<br/>Claims</u> | <u>Claim<br/>Payments</u> | <u>Balance at<br/>End of Year</u> |
|------------------------|---|--------------------------------|---------------------------|-----------------------------------|
| 2016                   | \$ 163,330                              | \$ 2,772,009                   | \$ (2,633,150)            | \$ 302,189                        |
| 2015                   | 141,372                                 | 1,677,516                      | (1,655,558)               | 163,330                           |

**C. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees through Healthsmart and Fort Dearborn Life in the amount of \$50,000.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                          | Eligible to<br>Retire after<br>August 1, 2017  |
|------------------------------|---|--|
| Full Benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.



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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$259,553 for fiscal year 2016. Of this amount, \$4,736 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$908,998 for fiscal year 2016. Of this amount, \$106,641 is reported as pension and postemployment benefits payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

|  | <u>SERS</u>  | <u>STRS</u>   | <u>Total</u>  |
|--|--------------|---------------|---------------|
| Proportionate share of the net pension liability | \$ 3,515,481 | \$ 16,259,394 | \$ 19,774,875 |
| Proportion of the net pension liability          | 0.06160920%  | 0.05883182%   |               |
| Pension expense                                  | \$ 301,608   | \$ 746,558    | \$ 1,048,166  |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u>        |
|--|-------------------|---------------------|---------------------|
| <b>Deferred outflows of resources</b>  |                   |                     |                     |
| Differences between expected and actual experience                               | \$ 54,867         | \$ 740,077          | \$ 794,944          |
| Changes in proportionate share   | 214,452           | 160,515             | 374,967             |
| District contributions subsequent to the measurement date                        | <u>259,553</u>    | <u>908,998</u>      | <u>1,168,551</u>    |
| Total deferred outflows of resources   | <u>\$ 528,872</u> | <u>\$ 1,809,590</u> | <u>\$ 2,338,462</u> |
| <b>Deferred inflows of resources</b>   |                   |                     |                     |
| Net difference between projected and actual earnings on pension plan investments | <u>\$ 82,034</u>  | <u>\$ 1,147,339</u> | <u>\$ 1,229,373</u> |
| Total deferred inflows of resources  | <u>\$ 82,034</u>  | <u>\$ 1,147,339</u> | <u>\$ 1,229,373</u> |

\$1,168,551 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                             | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u>       |
|-----------------------------|-------------------|---------------------|--------------------|
| Fiscal Year Ending June 30: |                   |                     |                    |
| 2017                        | \$ 37,028         | \$ (216,799)        | \$ (179,771)       |
| 2018                        | 37,028            | (216,799)           | (179,771)          |
| 2019                        | 37,030            | (216,797)           | (179,767)          |
| 2020                        | <u>76,199</u>     | <u>403,648</u>      | <u>479,847</u>     |
| Total                       | <u>\$ 187,285</u> | <u>\$ (246,747)</u> | <u>\$ (59,462)</u> |

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

|  |  |
|--|--|
| Wage Inflation                               | 3.25 percent   |
| Future Salary Increases, including inflation | 4.00 percent to 22.00 percent                                |
| COLA or Ad Hoc COLA                          | 3 percent  |
| Investment Rate of Return                    | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal   |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

| Asset Class            | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 1.00 %               | 0.00 %                                    |
| US Stocks              | 22.50                | 5.00                                      |
| Non-US Stocks          | 22.50                | 5.50                                      |
| Fixed Income           | 19.00                | 1.50                                      |
| Private Equity         | 10.00                | 10.00                                     |
| Real Assets            | 10.00                | 5.00                                      |
| Multi-Asset Strategies | 15.00                | 7.50                                      |
| Total                  | <u>100.00 %</u>      |   |

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

|  | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$ 4,874,708           | \$ 3,515,481                        | \$ 2,370,899           |

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                      |  |
|--------------------------------------|--|
| Inflation                            | 2.75 percent   |
| Projected salary increases           | 2.75 percent at age 70 to 12.25 percent at age 20  |
| Investment Rate of Return            | 7.75 percent, net of investment expenses   |
| Cost-of-Living Adjustments<br>(COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|----------------------|------------------------------|---|
| Domestic Equity      | 31.00 %                      | 8.00 %  |
| International Equity | 26.00                        | 7.85  |
| Alternatives         | 14.00                        | 8.00  |
| Fixed Income         | 18.00                        | 3.75  |
| Real Estate          | 10.00                        | 6.75  |
| Liquidity Reserves   | <u>1.00</u>                  | 3.00  |
| Total                | <u>100.00 %</u>              |   |

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

|   | <u>1% Decrease<br/>(6.75%)</u> | <u>Current<br/>Discount Rate<br/>(7.75%)</u> | <u>1% Increase<br/>(8.75%)</u> |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$ 22,585,525                  | \$ 16,259,394                                | \$ 10,909,707                  |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$14,629.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$14,629, \$30,598, and \$15,532, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

Plan Description - The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 15 - POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$60,827, respectively. The full amount has been contributed for fiscal year 2014.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balances for that portion of outstanding encumbrances not already recognized as an accounts payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund are as follows:



**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

**Net Change in Fund Balance**

|   | <u>General fund</u> |
|---|---------------------|
| Budget basis                            | \$ 988,480          |
| Net adjustment for revenue accruals     | (50,406)            |
| Net adjustment for expenditure accruals | 36,200              |
| Net adjustment for other sources/uses   | (65,844)            |
| Funds budgeted elsewhere                | (90,449)            |
| Adjustment for encumbrances             | 258,394             |
| GAAP basis                              | <u>\$ 1,076,375</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund, the public school support fund, the uniform school supplies fund and the special trust fund.

**NOTE 17 - CONTINGENCIES**

**A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 18 - SET-ASIDES**

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

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

|   | <u>Capital Maintenance/<br/>Acquisition</u> |
|---|---|
| Set-aside balance June 30, 2015             | \$ -  |
| Current year set-aside requirement          | 135,452                                     |
| Current year offsets                        | <u>(422,872)</u>                            |
| Total                                       | <u>\$ (287,420)</u>                         |
| Balance carried forward to fiscal year 2017 | <u>\$ -</u>                                 |
| Set-aside balance June 30, 2016             | <u>\$ -</u>                                 |

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

**NOTE 19 - COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund Type</u>            | <u>Year-End<br/>Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund                | \$ 247,004                       |
| Building                    | 176,206                          |
| Nonmajor governmental funds | <u>97,121</u>                    |
| Total                       | <u>\$ 520,331</u>                |

REQUIRED SUPPLEMENTARY INFORMATION

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

|   | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  |
|---|--------------|--------------|--------------|
| District's proportion of the net pension liability  | 0.06160920%  | 0.05601800%  | 0.05601800%  |
| District's proportionate share of the net pension liability   | \$ 3,515,481 | \$ 2,835,039 | \$ 3,331,211 |
| District's covered-employee payroll   | \$ 1,854,757 | \$ 1,627,771 | \$ 1,718,259 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 189.54%      | 174.17%      | 193.87%      |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 69.16%       | 71.70%       | 65.52%       |

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

|   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|---|---------------|---------------|---------------|
| District's proportion of the net pension liability  | 0.05883182%   | 0.05817940%   | 0.05817940%   |
| District's proportionate share of the net pension liability   | \$ 16,259,394 | \$ 14,151,244 | \$ 16,856,869 |
| District's covered-employee payroll   | \$ 6,238,993  | \$ 5,944,331  | \$ 5,969,485  |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 260.61%       | 238.06%       | 282.38%       |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 72.10%        | 74.70%        | 69.30%        |

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

|  | LAST TEN FISCAL YEARS |                  |                  |                  |
|--|-----------------------|------------------|------------------|------------------|
|  | <u>2016</u>           | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
| Contractually required contribution                                  | \$ 259,553            | \$ 244,457       | \$ 225,609       | \$ 237,807       |
| Contributions in relation to the contractually required contribution | <u>(259,553)</u>      | <u>(244,457)</u> | <u>(225,609)</u> | <u>(237,807)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>           | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered-employee payroll                                  | \$ 1,853,950          | \$ 1,854,757     | \$ 1,627,771     | \$ 1,718,259     |
| Contributions as a percentage of covered-employee payroll            | 14.00%                | 13.18%           | 13.86%           | 13.84%           |

| <u>2012</u>      | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 236,548       | \$ 225,733       | \$ 199,079       | \$ 135,204       | \$ 137,296       | \$ 152,222       |
| <u>(236,548)</u> | <u>(225,733)</u> | <u>(199,079)</u> | <u>(135,204)</u> | <u>(137,296)</u> | <u>(152,222)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 1,758,721     | \$ 1,795,807     | \$ 1,470,303     | \$ 1,374,024     | \$ 1,398,126     | \$ 1,425,300     |
| 13.45%           | 12.57%           | 13.54%           | 9.84%            | 9.82%            | 10.68%           |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

|  | LAST TEN FISCAL YEARS |                  |                  |                  |
|--|-----------------------|------------------|------------------|------------------|
|  | <u>2016</u>           | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
| Contractually required contribution                                  | \$ 908,998            | \$ 873,459       | \$ 772,763       | \$ 776,033       |
| Contributions in relation to the contractually required contribution | <u>(908,998)</u>      | <u>(873,459)</u> | <u>(772,763)</u> | <u>(776,033)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>           | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered-employee payroll                                  | \$ 6,492,843          | \$ 6,238,993     | \$ 5,944,331     | \$ 5,969,485     |
| Contributions as a percentage of covered-employee payroll            | 14.00%                | 14.00%           | 13.00%           | 13.00%           |



| <u>2012</u>      | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 830,414       | \$ 780,359       | \$ 760,841       | \$ 790,476       | \$ 783,702       | \$ 772,737       |
| <u>(830,414)</u> | <u>(780,359)</u> | <u>(760,841)</u> | <u>(790,476)</u> | <u>(783,702)</u> | <u>(772,737)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 6,387,800     | \$ 6,002,762     | \$ 5,852,623     | \$ 6,080,585     | \$ 6,028,477     | \$ 5,944,131     |
| 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

| <b>FEDERAL GRANTOR<br/><i>Pass-Through Grantor</i><br/>Program/Cluster Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Entity Identifying<br/>Number</b> | <b>Total<br/>Federal<br/>Expenditures</b> |
|--|------------------------------------|---|---|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>  |                                    |   |   |
| <b><i>Passed Through Ohio Department of Education</i></b>                        |                                    |   |   |
| Child Nutrition Cluster:   |                                    |   |   |
| Non-Cash Assistance (Food Distribution):   |                                    |   |   |
| School Breakfast Program   | 10.553                             | 2015 / 2016   | \$3,826                                   |
| National School Lunch Program  | 10.555                             | 2015 / 2016   | 20,732                                    |
| Non-Cash Assistance Subtotal   |                                    |   | <u>24,558</u>                             |
| Cash Assistance:   |                                    |   |   |
| School Breakfast Program   | 10.553                             | 2015 / 2016   | 39,672                                    |
| National School Lunch Program  | 10.555                             | 2015 / 2016   | 153,047                                   |
| Cash Assistance Subtotal   |                                    |   | <u>192,719</u>                            |
| Total Child Nutrition Cluster  |                                    |   | <u>217,277</u>                            |
| Total U.S. Department of Agriculture   |                                    |   | 217,277                                   |
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                                    |   |   |
| <b><i>Direct from Federal Government</i></b>                                     |                                    |   |   |
| Federal Pell Grant Program   | 84.063                             | 2016  | 272,044                                   |
| <b><i>Passed Through Ohio Department of Education</i></b>                        |                                    |   |   |
| Adult Education - Basic Grants to States   | 84.002                             | 2015<br>2016  | 13,239<br>80,114                          |
| Total Adult Education - Basic Grants to States                                   |                                    |   | <u>93,353</u>                             |
| Career and Technical Education - Basic Grants to States                          | 84.048                             | 2015<br>2016  | 26,235<br>331,189                         |
| Total Career and Technical Education - Basic Grants to States                    |                                    |   | <u>357,424</u>                            |
| Improving Teacher Quality State Grants   | 84.367                             | S367A150034   | 2,276                                     |
| <b><i>Passed Through Upper Valley Career Center</i></b>                          |                                    |   |   |
| Career and Technical Education - Basic Grants to States                          | 84.048                             | 2016  | <u>67,497</u>                             |
| Total U.S. Department of Education   |                                    |   | <u>792,594</u>                            |
| <b>Total Expenditures of Federal Awards</b>                                      |                                    |   | <b><u><u>\$1,009,871</u></u></b>          |

*The accompanying notes are an integral part of this schedule.*

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Buckeye Joint Vocational School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE D – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Buckeye Joint Vocational School District  
Tuscarawas County  
545 University Drive, NE  
New Philadelphia, Ohio 44663

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Joint Vocational School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2016.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2016-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2016-001.

***District's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 15, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Buckeye Joint Vocational School District  
Tuscarawas County  
545 University Drive, NE  
New Philadelphia, Ohio 44663

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Buckeye Joint Vocational School District's, Tuscarawas County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Buckeye Joint Vocational School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

**Basis for Qualified Opinion on the Career and Technical Education Major Federal Program**

As described in Findings 2016-002 and 2016-003 in the accompanying Schedule of Findings, the District did not comply with requirements regarding the following:

| Finding # | CFDA # | Program (or Cluster) Name      | Compliance Requirement |
|-----------|--------|--------------------------------|------------------------|
| 2016-002  | 84.048 | Career and Technical Education | Cash Management        |
| 2016-003  | 84.048 | Career and Technical Education | Procurement            |

Compliance with these requirements is necessary, in our opinion, for the District to comply with the requirements applicable to this program.

**Qualified Opinion on the Career and Technical Education Major Federal Program**

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Career and Technical Education Major Federal Program* paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Career and Technical Education Major Federal Program* for the year ended June 30, 2016.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying Schedule of Findings as item 2016-004. Our opinion on the major federal program is not modified with respect to this matter.

The District's responses to our noncompliance findings are described in the accompanying Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

**Report on Internal Control over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected.



*A significant deficiency in internal over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying Schedule of Findings as items 2016-002 and 2016-003.

The District's responses to our internal control over compliance findings are described in the accompanying Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 15, 2016

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**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |  |  |
|---------------------|--|--|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion  | Unmodified                                 |
| <i>(d)(1)(ii)</i>   | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?  | Yes  |
| <i>(d)(1)(ii)</i>   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?                                     | No   |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?  | Yes  |
| <i>(d)(1)(iv)</i>   | Were there any material internal control weaknesses reported for major federal programs?   | Yes  |
| <i>(d)(1)(iv)</i>   | Were there any significant deficiencies in internal control reported for major federal programs?   | No   |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion   | Qualified                                  |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under 2 CFR Part 200.516(a)?   | Yes  |
| <i>(d)(1)(vii)</i>  | Major Programs (list):<br><ul style="list-style-type: none"> <li>• CFDA #84.048 Career and Technical Education – Basic Grants to States</li> </ul> |  |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs  | Type A: > \$ 750,000<br>Type B: all others |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee under 2 CFR Part 200.520?   | No   |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2016-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(C) requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

The District had levies outside of the ten mill limitation for the purposes of supporting building operations. In addition to property tax monies being assessed and collected for these levies, the State of Ohio reimbursed taxing sub divisions for tax deductions, homestead and rollback, as well as distributes the commercial activity tax. These revenues were derived and allocated based upon property tax levies.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2016-001 (Continued)**

**Noncompliance and Material Weakness – Ohio Rev. Code § 5705.10(C) (Continued)**

During fiscal year 2016, for the 2015 second-half Tuscarawas County tax settlement \$1,563,257 and \$23,345 were posted to the General and Building Funds, respectively, when \$1,469,877 and \$116,725 should have been posted the General and Building Funds, respectively. As a result, the Local Tax receipts and ending cash fund balance of the General Fund were overstated by \$93,380 and the Local Tax receipts and ending cash fund balance of the Building Fund was understated by \$93,380. Additionally, \$677,087 and \$60,853 of homestead and rollback receipts were posted to the General and Building Funds, respectively, when \$671,525 and \$66,415 should have been allocated to the General and Building Funds. As a result, the Intergovernmental receipts and ending cash fund balance of the General Fund were overstated by \$5,562 and the Intergovernmental receipts and ending cash fund balance of the Building Fund was understated by \$5,562. These adjustments, which were agreed to by management, were posted to the accounting system and financial statements.

Inaccurate reporting of revenue could lead to tax levy money being utilized for unallowable disbursements that do not correspond with the legally required intent of such money. Additionally, sound financial reporting is the responsibility of the District and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures to identify and correct errors and omissions. In addition, the District should review the financial statements and notes prior to submission for audit.

**Official's Response:** See Corrective Action Plan.

**3. FINDINGS FOR FEDERAL AWARDS**

**1. 2 CFR Part 200.305, ODE Grants Management Guidance 2015-004**

|   |  |                                    |     |
|---|--|------------------------------------|-----|
| <b>Finding Number</b>                             | 2016-002   |                                    |     |
| <b>CFDA Title and Number</b>                      | Career and Technical Education – Basic Grants to States CFDA #84.048 |                                    |     |
| <b>Federal Award Identification Number / Year</b> | 2016   |                                    |     |
| <b>Federal Agency</b>                             | U.S. Department of Education   |                                    |     |
| <b>Pass-Through Entity</b>                        | Ohio Department of Education   |                                    |     |
| <b>Repeat Finding from Prior Audit?</b>           | No   | <b>Finding Number? (if repeat)</b> | N/A |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2016-002 (Continued)**

**Noncompliance and Material Weakness – 2 CFR Part 200.305 (Continued)**

2 CFR Part 3474.1 gives regulatory effect to the Department of Education for 2 CFR Part 200.305 which states that the non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project.

Ohio Department of Education (ODE) Grants Management Guidance 2015-004 states, in part, that when requesting advance funds, non-Federal entities must now liquidate cash advances within *five business days* after receiving the funds.

One instance was noted in which Career and Technical Education funding was not timely expended within the five business days for which the request was made, leaving \$36,775 of the project cash request unspent at that time. This instance accounted for 33% of the project cash requests tested from the Career and Technical Education major federal program.

The District should review grant documents and guidance which stipulate cash management requirements. The District should only advance revenue to cover expenditures for the period for which the funds were requested. To help ensure compliance with cash management requirements, the District should implement additional internal controls.

**Official's Response:** See Corrective Action Plan.

**2. 2 CFR Part 200.320**

|   |  |                                    |          |
|---|--|------------------------------------|----------|
| <b>Finding Number</b>                             | 2016-003   |                                    |          |
| <b>CFDA Title and Number</b>                      | Career and Technical Education – Basic Grants to States CFDA #84.048 |                                    |          |
| <b>Federal Award Identification Number / Year</b> | 2016   |                                    |          |
| <b>Federal Agency</b>                             | U.S. Department of Education   |                                    |          |
| <b>Pass-Through Entity</b>                        | Ohio Department of Education   |                                    |          |
| <b>Repeat Finding from Prior Audit?</b>           | Yes  | <b>Finding Number? (if repeat)</b> | 2015-001 |

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

|   |
|---|
| <b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b> |
|---|

**FINDING NUMBER 2016-003 (Continued)**

**Noncompliance – 2 CFR Part 200.320 (Continued)**

2 CFR Part 3474.1 gives regulatory effect to the Department of Education for 2 CFR Part 200.320 which requires non-Federal entities to use one of the five methods of procurement. 2 CFR Part 200.320 (b) states that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold (currently \$150,000). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

During fiscal year 2016, for three of the seven purchases tested, the District made small purchases for the Federal Career and Technical Education program from various vendors without obtaining price or rate quotations. Purchases were primarily made from past experience; however, the District should still maintain quotes from other qualified sources and provide appropriate documentation for choosing one vendor over another in order to help ensure open competition requirements are satisfied.

The District should obtain price or rate quotations from various vendors prior to making a procurement transaction. Additionally, the District should maintain formal documentation for additional considerations made when selecting a vendor. Lastly, the District should address the internal controls in place over procurement. This will help ensure the District is in compliance with required Federal procurement regulations and the best price is obtained.

**Official's Response:** See Corrective Action Plan.

**3. 2 CFR Part 200.510(b)**

|   |   |                                    |     |
|---|---|------------------------------------|-----|
| <b>Finding Number</b>                             | 2016-004  |                                    |     |
| <b>CFDA Title and Number</b>                      | Adult Education – Basic Grants to States CFDA #84.002 |                                    |     |
| <b>Federal Award Identification Number / Year</b> | ABLE 2016   |                                    |     |
| <b>Federal Agency</b>                             | U.S. Department of Education                          |                                    |     |
| <b>Pass-Through Entity</b>                        | Ohio Department of Education                          |                                    |     |
| <b>Repeat Finding from Prior Audit?</b>           | No  | <b>Finding Number? (if repeat)</b> | N/A |

**Noncompliance**

2 CFR Part 3474.1 gives regulatory effect to the Department of Education for 2 CFR Part 200.510(b) which requires the District to prepare the Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with Part 200.502. The SEFA is required to report the total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2016-004 (Continued)**

**Noncompliance – 2 CFR Part 200.510(b) (Continued)**

The SEFA prepared by the District originally included \$66,525 in State Adult Education - Basic Grants to States (ABLE) expenditures (CFDA #84.002). Various other insignificant errors included other small errors to expenditures reported, pass through entity information and the reporting of program clusters.

Errors and omissions to the SEFA could have an adverse effect on future grant awards by the awarding agency or agencies in addition to an inaccurate assessment of major federal programs that would be subjected to audit. The District's SEFA has been adjusted accordingly.

The District's Treasurer should review all grant and loan awards and be familiar with federal reporting requirements. The District should implement a system to track all federal expenditures and related information separately from other expenditures and report federal expenditures with proper support including, but not limited to, grant agreements, calculation of the expenditures, and any federal reporting requirements. This will help ensure the Schedule of Expenditures of Federal Awards is complete and accurate and major federal programs are correctly identified for audit.

**Official's Response:** See Corrective Action Plan.

**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR PART 200.511(b)  
JUNE 30, 2016**

| <b>Finding Number</b> | <b>Finding Summary</b>  | <b>Status</b> | <b>Additional Information</b>   |
|-----------------------|---|---------------|---|
| 2015-001              | 34 CFR Part 80.36 required price or rate quotations to be received from an adequate number of qualified sources for small purchases. The District made small purchases for the Federal Career and Technical Education program without obtaining quotations. | Not corrected | Although 34 CFR Part 80.36 is no longer applicable under the new Uniform Guidance, finding was repeated as Finding 2016-003 under 2 CFR Part 200.320. |



**BUCKEYE JOINT VOCATIONAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR PART 200.511(c)  
JUNE 30, 2016**

| <b>Finding Number</b> | <b>Planned Corrective Action</b>  | <b>Anticipated Completion Date</b> | <b>Responsible Contact Person</b> |
|-----------------------|---|------------------------------------|-----------------------------------|
| 2016-001              | We will be more careful when calculating the amount which is to be posted to the General Fund and Building Funds to ensure proper posting in the future. We have made the adjustment to our system.   | 1/1/2017                           | Cheryl Pritts,<br>Treasurer       |
| 2016-002              | We have changed the process of drawing down federal funding. We will no longer request funding in advance of expending. This will ensure that our funds are liquidated in a timely manner.  | 1/1/2017                           | Cheryl Pritts,<br>Treasurer       |
| 2016-003              | In the future we will be expending our Career and Technical Education Grant Funding for payroll related expenditures, which should eliminate the necessity of obtaining price or rate quotations. However, when expending funds from our other federal funds we will adhere to the "Federal Procedures" document. | 1/1/2017                           | Cheryl Pritts,<br>Treasurer       |
| 2016-004              | We will be more careful when reporting the amount of federal expenditures on the federal schedule in the future.  | 1/1/2017                           | Cheryl Pritts,<br>Treasurer       |

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# Dave Yost • Auditor of State

**BUCKEYE JOINT VOCATIONAL SCHOOL**

**TUSCARAWAS 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  
DECEMBER 29, 2016**