

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT

GREENE COUNTY

AUDIT REPORT

For the Year Ended June 30, 2018



OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Greene County Vocational School District
2960 West Enon Road
Xenia, Ohio 45385

We have reviewed the *Independent Auditor's Report* of the Greene County Vocational School District, Greene County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 30, 2019

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**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Greene County Vocational School District
Greene County
2960 West Enon Road
Xenia, Ohio 45385

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 Greene County Vocational School District, Greene County, Ohio (The District), as of and for the year ended June 30, 2018, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 Greene County Vocational School District, Greene County, Ohio, as of June 30, 2018, and the respective changes in financial position 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension liabilities, net postemployment liabilities and pension and postemployment contributions listed in the table of contents, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Charles E. Harris & Associates, Inc.
December 3, 2018

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

The discussion and analysis of the Greene County Vocational School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

The key financial highlights for fiscal year 2018 are as follows:

- Total net position increased by nearly \$11.0 million, which represents a 72.1% increase from fiscal year 2017.
- Total assets of governmental activities increased by \$4.0 million, predominately due to an increase in pooled cash and investments totaling \$4.3 million.
- Total liabilities decreased by nearly \$6.1 million in total or 22.4%. This is due to the decrease in the net pension and OPEB liabilities reported at June 30, 2018 compared the liabilities reported at the beginning of the year.
- General revenues accounted for \$16.7 million or 92.6% of total revenue. Program specific revenues in the form of charges for services and sales and operating grants and contributions account for \$1.3 million or 7.4% of total revenues of \$18.0 million.
- The general fund of the School District ended fiscal year 2018 with a fund balance of \$6.7 million, a decrease of \$2.5 million when compared to that reported for the prior fiscal year; mainly attributable to the transfer of \$5.0 million from the General Fund to the Capital Projects Fund during the fiscal year.

Using the 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 Greene County Vocational School 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 School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. 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 School District's most significant funds with all other non-major funds presented in total in one column. Major funds for the School District include; the general fund (the School District's operating fund), permanent improvement fund, and capital projects fund.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting which takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School 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 School District reports governmental activities. Most of the School District's activities are reported as governmental activities. These include, but are not limited to, instruction, support services, operation of non-instructional services, and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the General, Permanent Improvement Fund, and Capital Projects Funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds, and therefore only the major funds are presented separate from the other governmental funds.

Governmental Funds

The School 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, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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 financial statements.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

The School District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary Funds

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in government-wide and fund financial report.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position at June 30, 2018 compared to one year prior:

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GREENE COUNTY, OHIO**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

TABLE 1
NET POSITION

	<u>2018</u>	Restated <u>2017</u>
<i>Assets</i>		
Current and Other Assets	\$ 39,393,282	\$ 34,887,600
Capital Assets	<u>13,121,991</u>	<u>13,624,612</u>
Total Assets	<u>52,515,273</u>	<u>48,512,212</u>
<i>Deferred Outflows of Resources:</i>		
Pension and OPEB	<u>5,673,436</u>	<u>3,873,006</u>
Total Deferred Inflows of Resources:	<u>5,673,436</u>	<u>3,873,006</u>
<i>Liabilities:</i>		
Current Liabilities	1,261,066	1,215,402
Long-Term Liabilities:		
Net Pension Liability	16,181,039	21,472,667
Net OPEB Liability	3,350,149	4,133,994
Other Long-Term Liabilities	<u>274,895</u>	<u>325,701</u>
Total Liabilities	<u>21,067,149</u>	<u>27,147,764</u>
<i>Deferred Inflows of Resources:</i>		
Property Taxes not Levied to Finance		
Current Year Operations	8,802,927	8,333,724
Pension and OPEB	<u>2,081,686</u>	<u>1,655,627</u>
Total Deferred Inflows of Resources:	<u>10,884,613</u>	<u>9,989,351</u>
<i>Net Position:</i>		
Net investment in capital assets	13,121,991	13,624,612
Restricted	17,405,856	15,894,924
Unrestricted	<u>(4,290,900)</u>	<u>(14,271,433)</u>
Total Net Position	<u>\$ 26,236,947</u>	<u>\$ 15,248,103</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27". For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may

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**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

not be sufficient to fully fund each plan's net pension liability or OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 required the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 School District is not responsible for certain key factors affecting the balance of these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement systems. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event the contributions, investment returns, and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
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**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2018, from \$19,373,671 to \$15,248,103.

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2018, the School District's total net position was \$26.2 million. Of that amount, approximately \$13.1 million was the net investment in capital assets; \$17.4 million was subject to external restrictions upon its use; and the remaining deficit of nearly \$4.3 million, which resulted from the School District's reporting its proportion share of net pension and OPEB liability. If the three reported amounts related to the net pension liability calculation are excluded, the unrestricted net position reported by the School District would be a positive \$11.6 million instead of the nearly \$4.3 million deficit currently report. As the operation of the state-wide pension system is outside the control of the School District and varies significantly from year to year based on performance of investments, it is important to know how significant the recognition of the net pension liability has on the School District's reported net position.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Table 2 shows the changes in net position for fiscal years 2018 and 2017.

TABLE 2
CHANGES IN NET POSITION

	<u>2018</u>	Restated <u>2017</u>
<i>Revenues:</i>		
Program Revenues:		
Charges in Services	\$ 809,028	\$ 906,172
Operating Grants & Contributions	518,533	561,231
General Revenues:		
Property taxes	9,513,959	10,154,249
Payments in Lieu of Taxes	15,661	5,410
Grants & Entitlements	6,598,017	6,227,435
Investment Earnings	383,440	155,689
Miscellaneous	202,618	174,892
Total Revenues	<u>18,041,256</u>	<u>18,185,078</u>
<i>Program Expenses:</i>		
Instruction	3,541,622	8,118,233
Support Services:		
Pupils and Instructional Staff	928,985	1,880,278
Board of Education, Administration, Fiscal and Business	508,385	1,171,397
Plant Operation and Maintenance	1,406,836	1,486,437
Pupil Transportation	58,045	26,566
Central	275,585	325,607
Operation of Non-Instructional Services	286,691	293,681
Extracurricular Activities	46,263	57,255
Total Expenses	<u>7,052,412</u>	<u>13,359,454</u>
<i>Change in Net Position</i>	10,988,844	4,825,624
<i>Beginning Net Position</i>	<u>15,248,103</u>	N/A
<i>Ending Net Position</i>	<u>\$ 26,236,947</u>	<u>\$ 15,248,103</u>

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense equal to the contractually required contributions to the plans (GASB 27), which was \$8,426. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows or resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$602,862. Consequently, in order to compare 2018 total program expense to 2017, the following adjustments are needed.

Total 2018 program expenses under GASB 75	\$ 7,052,412
Negative OPEB expense under GASB 75	602,862
2018 contractually required contribution	14,048
Adjusted 2018 program expenses	7,669,322
Total 2017 program expenses under GASB 45	13,359,454
Decrease in program expenses not related to OPEB	\$ (5,690,132)

As shown in Table 2, \$16.7 million, or 92.6%, of the School District's total revenue is derived from general revenues, essentially property taxes and state entitlement programs. Overall, total revenue decreased by \$143,822 or .8%, compared with fiscal year 2017 amounts. Decrease in revenue was primarily due to a decrease in property tax revenue, which decreased from prior year by \$604,290 mainly due to the amount available for advance.

Total expenses of the School District reported for fiscal year 2018 decreased by \$6.3 million from those reported for the prior year due to negative expense related to the pension and OPEB plans. For fiscal year 2018, the negative expenses recognized was nearly \$5.8 million and \$602,862 for pension and OPEB plans, respectively.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services for fiscal years 2018 and 2017.

TABLE 3
NET (EXPENSE) REVENUE OF SERVICE

	<u>2018</u>	<u>2017</u>
Instruction	\$ (2,778,328)	\$ (7,235,394)
Support Services:		
Pupils and Instructional Staff	(554,948)	(1,480,071)
Board of Education, Administration, and Fiscal	(508,385)	(1,171,397)
Plant Operation and Maintenance	(1,406,836)	(1,486,437)
Pupil Transportation	(58,045)	(26,566)
Central	(273,364)	(325,607)
Operation of Non-Instructional Services	(137,151)	(150,437)
Extracurricular Activities	(7,794)	(16,142)
Total Net Cost of Service	\$ (5,724,851)	\$ (11,892,051)

The majority of the services offered by the School District are classified as instructional services,

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**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

therefore a portion of the charges for services (tuition and fees) charged to member districts are reported as program revenue associated with these particular functions of expenses. It should be noted, that while some programs are classified as vocational education, the majority of the expenses related to these program (primarily personnel costs) are instructional support personnel and are therefore reported in the support services categories. Intergovernmental grants restricted to educational programs also provide revenue which can be directly related to these expense categories.

The remaining expense categories are used to capture costs related to the general operation and management of the School District. As there are very few revenue sources which are directly related to these expense categories, they are almost entirely financed through general revenues (property taxes, state foundation funding, interest earnings and other miscellaneous revenue). Depreciation expense is charged to the function utilizing the corresponding capital asset.

In general, Table 3 indicates approximately 18.8 percent of the School District's expenses are funded through charges for services (primarily tuition) and operating grants and contributions; the remaining 81.2 percent is funded through general revenues, including tax revenue, state foundation and interest earnings.

The School District's Funds

The School District reports three major funds, the General Fund, the Permanent Improvement Fund, and the Capital Projects Fund. All funds are classified as governmental funds and are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of nearly \$18.0 million and expenditures of nearly \$14.1 million. The net increase in fund balance totaled \$4.0 million and resulted in an overall fund balance of \$29.1 million for all governmental funds, of which \$6.7 million was reported in the General Fund. Included in the General Fund's ending fund balance, \$63,736 pertained to inventory and prepaid items and therefore classified as non-spendable. Another \$3,903 has been assigned and \$118,555 has been committed for severance related purposes. The remaining \$6.5 million of the General Fund's ending fund balance was unassigned and is available for future appropriations as deemed appropriate by the Governing Board. The ending unassigned fund balance reported for the General Fund at year-end represents 53.6% of the total General Fund expenditures reported for the year.

The Permanent Improvement Fund, reported revenues of nearly \$2.3 million, expenditures of \$768,184, resulting in an ending fund balance of nearly \$17.3 million at June 30, 2018. For the year, fund balance increased by \$1.5 million compared with nearly \$1.6 million increase in fund balance reported for the prior year.

The Capital Projects Fund, a new fund in fiscal year 2018, had only one transaction during the fiscal year. The General Fund transferred \$5.0 million into the Capital Project Fund.

General Fund Budgeting Highlights

The School District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

Differences between the original and the final budgeted expenditures, and other uses, were \$4.3 million. The original revenue and other sources estimate was not modified during the fiscal year in the General fund. The School District's actual budgeted expenditures (includes encumbrances) was \$291,156 less than

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**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

the final appropriations at fiscal year-end as and the actual revenue and other sources was \$1.5 million more than the final estimated revenue at fiscal year-end.

Capital Assets

The School District's investment in capital assets as of June 30, 2018, amounted to \$13.1 million, net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, and vehicles. During fiscal year 2018, the School District reported capital asset additions of \$50,953, no disposals and depreciation expense totaling \$553,574.

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

Debt Administration

No long-term debt obligations were outstanding as of June 30, 2018. See Note 9 to the notes to the basic financial statements for additional information regarding long-term obligations of the School District.

Contacting the School District's Financial Management

This financial report is designed to provide an overview of the School District's finances. If you have questions about this report or need additional financial information, contact Eva Anderson, Treasurer, Greene County Career Center, 2960 West Enon Road, Xenia, Ohio 45385.

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Investments	\$ 29,645,797
Materials and Supplies Inventory	60,726
Property Taxes Receivable	9,569,004
Accounts Receivable	72,564
Intergovernmental Receivable	42,181
Prepaid Items	3,010
Capital Assets:	
Non Depreciable Assets	315,028
Depreciable Assets	<u>12,806,963</u>
Total Assets	<u>52,515,273</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension and OPEB	<u>5,673,436</u>
Total Deferred Outflows of Resources	<u>5,673,436</u>
LIABILITIES:	
Accounts Payable	463
Accrued Wages and Benefits	1,074,834
Intergovernmental Payable	185,769
Noncurrent Liabilities:	
Due Within One Year	56,516
Due In More Than One Year	
Net Pension Liability	16,181,039
Net OPEB Liability	3,350,149
Other Amounts Due in More than One Year	<u>218,379</u>
Total Liabilities	<u>21,067,149</u>
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes not Levied to Finance Current Year Operations	8,802,927
Pension and OPEB	<u>2,081,686</u>
Total Deferred Inflows of Resources	<u>10,884,613</u>
NET POSITION:	
Investment in capital assets	13,121,991
Restricted for:	
Debt Service	27,547
Capital Outlay	17,300,691
Other purposes	77,618
Unrestricted	<u>(4,290,900)</u>
Total Net Position	<u><u>\$ 26,236,947</u></u>

See accompanying notes to the basic financial statements.

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Statement of Activities
For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs:</u>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 275,627	\$ -	\$ -	\$ (275,627)
Vocational	3,080,541	386,227	117,460	(2,576,854)
Adult	185,454	169,372	90,235	74,153
Support Services:				
Pupils	211,949	13,167	229,468	30,686
Instructional Staff	717,036	52,253	79,149	(585,634)
Board of Education	177,895	-	-	(177,895)
Administration	(49,427)	-	-	49,427
Fiscal	379,917	-	-	(379,917)
Operation and Maintenance of Plant	1,406,836	-	-	(1,406,836)
Pupil Transportation	58,045	-	-	(58,045)
Central	275,585	-	2,221	(273,364)
Non-instructional Services	286,691	149,540	-	(137,151)
Extracurricular Activities	46,263	38,469	-	(7,794)
Total	\$ 7,052,412	\$ 809,028	\$ 518,533	(5,724,851)
General Revenues:				
Property Taxes				9,513,959
Payments in Lieu of Taxes				15,661
Grants, Entitlements and Contributions not Restricted to Specific Programs				6,598,017
Investment Earnings				383,440
Miscellaneous				202,618
			Total General Revenues	16,713,695
Change in Net Position				10,988,844
Net Position, Beginning of Year - Restated				15,248,103
Net Position, End of Year				\$ 26,236,947

See accompanying notes to the basic financial statements.

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Permanent Improvement	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Investments	\$ 7,368,518	\$ 17,136,659	\$ 5,000,000	\$ 140,620	\$ 29,645,797
Receivables:					
Property Taxes	7,520,239	2,048,765	-	-	9,569,004
Accounts	71,021	-	-	1,543	72,564
Intergovernmental	6,141	-	-	36,040	42,181
Materials and Supplies Inventory	60,726	-	-	-	60,726
Prepaid Items	3,010	-	-	-	3,010
Total Assets	<u>\$ 15,029,655</u>	<u>\$ 19,185,424</u>	<u>\$ 5,000,000</u>	<u>\$ 178,203</u>	<u>\$ 39,393,282</u>
LIABILITIES:					
Accounts Payable	\$ 463	\$ -	\$ -	\$ -	\$ 463
Accrued Wages and Benefits	1,046,750	-	-	28,084	1,074,834
Intergovernmental Payable	176,434	-	-	9,335	185,769
Total Liabilities	<u>1,223,647</u>	<u>-</u>	<u>-</u>	<u>37,419</u>	<u>1,261,066</u>
DEFERRED INFLOWS OF RESOURCES:					
Property Taxes not Levied to Finance Current Year Operations	6,918,194	1,884,733	-	-	8,802,927
Unavailable Revenue	156,762	34,148	-	4,813	195,723
Total Deferred Inflows of Resources	<u>7,074,956</u>	<u>1,918,881</u>	<u>-</u>	<u>4,813</u>	<u>8,998,650</u>
FUND BALANCES:					
Nonspendable:					
Inventory	60,726	-	-	-	60,726
Prepaid Items	3,010	-	-	-	3,010
Restricted for:					
Capital Improvements	-	17,266,543	-	-	17,266,543
Debt	-	-	-	27,547	27,547
State and Local Grants	-	-	-	95,249	95,249
District Managed Activities	-	-	-	13,175	13,175
Committed for:					
Capital Improvements	-	-	5,000,000	-	5,000,000
Severance	118,555	-	-	-	118,555
Assigned for:					
Other purposes	3,903	-	-	-	3,903
Unassigned	6,544,858	-	-	-	6,544,858
Total Fund Balances	<u>6,731,052</u>	<u>17,266,543</u>	<u>5,000,000</u>	<u>135,971</u>	<u>29,133,566</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,029,655</u>	<u>\$ 19,185,424</u>	<u>\$ 5,000,000</u>	<u>\$ 178,203</u>	<u>\$ 39,393,282</u>

See accompanying notes to the basic financial statements.

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances	\$ 29,133,566
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	13,121,991
Certain other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Accounts Receivable	32,438
Intergovernmental grants receivable	4,813
Property Taxes Receivable	158,472
The net pension liability and OPEB liabilities are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension and OPEB	5,673,436
Deferred Inflows - Pension and OPEB	(2,081,686)
Net Pension Liability	(16,181,039)
Net OPEB Liability	(3,350,149)
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences payable	<u>(274,895)</u>
Net Position of Governmental Activities	<u>\$ 26,236,947</u>

See accompanying notes to the basic financial statements.

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Permanent Improvement	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property Taxes	\$ 7,477,913	\$ 2,036,599	\$ -	\$ -	\$ 9,514,512
Payments in Lieu of Taxes	12,033	3,628	-	-	15,661
Intergovernmental	6,217,446	252,383	-	645,014	7,114,843
Tuition and Fees	338,338	-	-	234,792	573,130
Interest	383,440	-	-	-	383,440
Extracurricular Activities	-	-	-	38,469	38,469
Customer Services and Sales	51,043	-	-	149,540	200,583
Miscellaneous	193,834	78	-	10,927	204,839
Total Revenues	<u>14,674,047</u>	<u>2,292,688</u>	<u>-</u>	<u>1,078,742</u>	<u>18,045,477</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	940,535	3,244	-	-	943,779
Vocational	6,911,613	683,022	-	108,898	7,703,533
Adult	-	-	-	275,474	275,474
Support Services:					
Pupils	647,746	698	-	229,636	878,080
Instructional Staff	1,005,082	-	-	143,705	1,148,787
Board of Education	169,782	-	-	-	169,782
Administration	641,043	-	-	-	641,043
Fiscal	471,839	13,776	-	-	485,615
Operation and Maintenance of Plant	999,377	50,687	-	-	1,050,064
Pupil Transportation	89,420	-	-	-	89,420
Central	321,372	-	-	-	321,372
Operation of Non-Instructional Services	-	1,757	-	280,472	282,229
Extracurricular Activities	11,592	-	-	34,671	46,263
Capital Outlay	-	15,000	-	-	15,000
Total Expenditures	<u>12,209,401</u>	<u>768,184</u>	<u>-</u>	<u>1,072,856</u>	<u>14,050,441</u>
Revenues Over/(Under) Expenditures	2,464,646	1,524,504	-	5,886	3,995,036
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	5,000,000	-	5,000,000
Transfers Out	(5,000,000)	-	-	-	(5,000,000)
Total Other Financing Sources (Uses)	<u>(5,000,000)</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,535,354)	1,524,504	5,000,000	5,886	3,995,036
Fund Balance, Beginning of Year	9,266,406	15,742,039	-	130,085	25,138,530
Fund Balance, End of Year	<u>\$ 6,731,052</u>	<u>\$ 17,266,543</u>	<u>\$ 5,000,000</u>	<u>\$ 135,971</u>	<u>\$ 29,133,566</u>

See accompanying notes to the basic financial statements.

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT

GREENE 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, 2018

Total Net Change in Fund Balances - Total Governmental Funds	\$ 3,995,036
<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 are allocated over their estimated useful lives as depreciation expense and report a gain or loss on the disposal of capital assets. In the current period, these amounts are:	
Current Year Depreciation	(553,574)
Capital Asset Additions	50,953
Revenue reported in the statement of activities that does not provide current	
Property Taxes	(553)
Intergovernmental	(514)
Tuition and Fees	(3,154)
Long-term compensated absences are reported as expenses in the statement of activities; however, as these long-term obligations payable do not require the use of current financial resources, they are not reported as expenditures in the governmental funds.	
	50,806
Contractually required contributions for pension and OPEB Plans are reported as expenditures in . governmental funds; however, the statement of activities report these amounts as deferred outflows.	
	1,094,676
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as expenses in the statement of activities.	
	<u>6,355,168</u>
Change in Net Position of Governmental Activities	<u>\$ 10,988,844</u>

See accompanying notes to the basic financial statements.

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT

GREENE COUNTY, OHIO

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Property Taxes	\$ 7,145,994	\$ 7,145,994	\$ 7,706,481	\$ 560,487
Payments in Lieu of Taxes	3,910	3,910	12,033	8,123
Intergovernmental	5,496,787	5,496,787	6,211,305	714,518
Tuition and Fees	319,641	319,641	338,281	18,640
Interest	173,108	173,108	397,156	224,048
Miscellaneous	61,644	61,644	71,920	10,276
<i>Total Revenues</i>	<u>13,201,084</u>	<u>13,201,084</u>	<u>14,737,176</u>	<u>1,536,092</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular Instruction	1,148,678	1,086,574	982,337	104,237
Vocational Instruction	7,102,829	6,718,810	6,691,124	27,686
Support Services:				
Pupils	639,252	604,690	600,064	4,626
Instructional Staff	1,098,346	1,038,963	1,003,202	35,761
Board of Education	138,751	131,249	169,934	(38,685)
Administration	699,801	661,966	620,123	41,843
Fiscal	557,636	527,487	471,541	55,946
Operation and Maintenance of Plant	1,105,980	1,046,185	996,492	49,693
Pupil Transportation	72,968	69,023	89,420	(20,397)
Central	360,837	341,328	320,252	21,076
Extracurricular Activities	22,161	20,962	11,592	9,370
<i>Total Expenditures</i>	<u>12,947,239</u>	<u>12,247,237</u>	<u>11,956,081</u>	<u>291,156</u>
Excess of Revenues Over (Under) Expenditures	253,845	953,847	2,781,095	1,827,248
<u>Other Financing Sources:</u>				
Refund of Prior Year Expenditures	1,000	1,000	2,870	1,870
Transfers Out	(75,000)	(5,000,000)	(5,000,000)	-
<i>Total Other Financing Sources</i>	<u>(74,000)</u>	<u>(4,999,000)</u>	<u>(4,997,130)</u>	<u>1,870</u>
Net Change in Fund Balance	179,845	(4,045,153)	(2,216,035)	1,829,118
Fund Balance, Beginning of Year	9,494,375	9,494,375	9,494,375	-
Fund Balance, End of Year	<u>\$ 9,674,220</u>	<u>\$ 5,449,222</u>	<u>\$ 7,278,340</u>	<u>\$ 1,829,118</u>

See accompanying notes to the basic financial statements.

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT

GREENE COUNTY, OHIO

Statement of Fiduciary Net Position

June 30, 2018

	Private Purpose Trust Fund	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ 3,763	\$ 64,235
Receivables:		
Accounts	<u>-</u>	<u>95</u>
Total Assets	<u>3,763</u>	<u>64,330</u>
LIABILITIES:		
Due to Students	<u>-</u>	<u>\$ 64,330</u>
Total Liabilities	<u>-</u>	<u>\$ 64,330</u>
NET POSITION:		
Held in Trust for Scholarships	<u>3,763</u>	
Total Net Position	<u>\$ 3,763</u>	

See accompanying notes to the basic financial statements.

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Private Purpose Trust Fund</u>
Additions:	
Gifts and Donations	\$ 750
Total Additions	<u>750</u>
Changes in Net Position	<u>750</u>
Net Position at Beginning of Year	<u>3,013</u>
Net Position at End of Year	<u>\$ 3,763</u>

See accompanying notes to the basic financial statements.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Greene County Vocational School District 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 first official body designated as the Greene County Vocational School District was formed in March, 1964.

The School District operates under an appointed seven-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the School District's instructional/support facilities staffed by 105 employees. There are 73 certificated employees and 23 classified support staff and 9 administrators, who provide services to 3,691 secondary and adult education students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Greene County Vocational School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with two organizations that are defined as jointly governed. These organizations are the Miami Valley Educational Computer Association and the Southwestern Ohio Educational Purchasing Council. These organizations are described in Note 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Greene County Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no activities which are reported as business-type.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are the School District's major governmental funds:

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

Permanent Improvement Fund – The Permanent Improvement Fund is used to account for restricted financial resources to be used for purpose of repairing, renovating, remodeling, constructing and improving school buildings, furnishing and equipping school buildings, and improving school grounds.

Capital Projects Fund – The Capital Projects Fund is used to accumulate money for one or more capital projects.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District fiduciary funds are Private Purpose Trust Funds and Agency Funds. The Private Purpose Trust Fund accounts for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for pre-paid lunch fees, student loans, as well as, student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

Government-wide Financial Statements:

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

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets liabilities and deferred inflows of resources 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.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources are collectible 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 School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, tuition, student fees, grants, and interest.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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 School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension, and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained further in Notes 10 and 11.

In addition to liabilities, the statements of financial position 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 until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and student fees. These amounts are deferred and recognized as an inflow of resources as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 10 and 11).

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District's investment in the State Treasury Asset Reserve of 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 and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortization cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$50 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business days(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The School District had investments in Federally backed Agency securities, commercial paper, and money market funds at June 30, 2018 which are reported at fair value.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$383,438; \$288,135 was assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents.

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. General capital assets usually 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.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement costs back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School 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 capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Buildings	50
Building Improvements	20 - 25
Land Improvements	5 - 7
Machinery and Equipment	4 - 20
Vehicles	3 - 10

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets less salvage value. The salvage value is calculated at 5% of the cost or estimated historical cost.

I. 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 fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net pension is not sufficient for payment of those benefits.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The entire compensated absences liability is reported on the government-

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

wide financial statements.

K. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB 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 and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investment at fair value.

L. Net Position

Net position represents the difference between assets and liabilities. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources for food service operations, and federal and state grants restricted to expenditures for specified purposes.

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted

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

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 Board of Education. Those committed amounts cannot be used for any other purpose unless the Board 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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 School District for specific purposes but do not meet the criteria to be classified as restricted or 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 the Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

N. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

O. Estimates

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level only. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances-in and advances-out are not required to be budgeted since they represent a cash flow resource and are intended to be repaid. The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that were in effect at the time the final appropriations were passed by the Board of Education.

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION

For fiscal year 2018, the School District implemented the Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*, No. 81, *Irrevocable Split-Interest*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*.

GASB Statement No. 75 replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB provided to employees. Statement 75 also requires governments in all types of OPEB plans to provide more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The implementation of GASB Statement No. 75 required the School District to restate beginning net position of governmental activities at July 1, 2017.

GASB Statement No. 81 requires the government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB Statement No. 85 establishes accounting and reporting requirements for blending component units, goodwill, fair value measurement and applications, and postemployment benefits (pension and other postemployment benefits). GASB Statement No. 86 establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION
(continued)

monetary assets acquired with only existing resources are placed in an irrevocable trust for the purpose of extinguishing debt. The implementation of these Standards had no effect on the School District's financial statements.

The implementation of GASB Statement No. 75 for fiscal year 2018 had the following effect on the governmental activities net position as reported June 30, 2017:

Net Position at June 30, 2017 as previously reported	\$ 19,373,671
Adjustments:	
Net OPEB Liability at June 30, 2017	(4,133,994)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>8,426</u>
Net Position at June 30, 2017 as restated	\$ <u>15,248,103</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred outflows or inflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than assigned fund balance (GAAP).
4. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ (2,535,354)
Revenue Accruals	211,127
Expenditure Accruals	160,689
Budget Perspective Difference	<u>(52,497)</u>
Budget Basis	<u>\$ (2,216,035)</u>

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories. Active monies are public monies determined to be necessary to meet current demands upon the School District treasury.

Active monies must be maintained either as cash in the School 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 that 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District 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 and 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 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and, bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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. Investments may only be made through specified dealers and institutions.

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.

A. Deposits

At fiscal year-end, the carrying amount of the School District's deposits was \$2,618,860 and the bank balance was \$2,709,461. All of the bank balance was covered by federal deposit insurance. The School District has no deposit policy for custodial risk beyond the requirements of State statute.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. The District's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

B. Investments

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year-end.

	Carrying Value	Fair Value	Investment Maturities (in years)		% of Portfolio	Credit Rating S&P
			Less than 1	1-5		
Federal National Mortgage Assoc.	\$ 899,750	\$ 879,281	\$ -	\$ 879,281	3.25%	AA+
Federal Home Loan Bank	1,348,160	1,319,990	-	1,319,990	4.87%	AA+
Federal Home Loan Mortgage Corp.	499,825	498,355	-	498,355	1.84%	AA+
Federal Farmers Credit Corp	460,000	447,239	-	447,239	1.65%	AA+
Commercial Paper	1,870,427	1,879,896	1,879,896	-	6.94%	A-1
Money Market funds	13,958	25,259	25,259	-	0.09%	N/A
STAR Ohio	22,044,915	22,044,915	22,044,915	-	81.36%	AAAm
Total Investments	<u>\$ 27,137,035</u>	<u>\$ 27,094,935</u>	<u>\$ 23,950,070</u>	<u>\$ 3,144,865</u>		

Interest Rate Risk – The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. STAR Ohio has an average maturity of less than one year.

Credit Risk – The School District's investment policy limits investments to those authorized by State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk – The School District places no limit on the amount it may invest in any one issuer. However, State statute limits investments in commercial paper and bankers' acceptance to 25 percent of the interim monies available for investment at any one time.

C. Fair Value Measurement

The School District's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

The categorization of investments within the hierarchy is based upon the transparency of the instrument and should not be perceived as the particular investment's risk. The School District had the following reoccurring fair value measurements as of June 30, 2018:

<u>Investment Type</u>	<u>Total</u>	<u>Identical Assets (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Federal National Mortgage Assoc.	\$ 879,281	-	\$ 879,281	-
Federal Home Loan Bank	1,319,990	-	1,319,990	-
Federal Home Loan Mortgage Corp.	498,355	-	498,355	-
Federal Farmers Credit Corp	447,239	-	447,239	-
Commercial Paper	<u>1,879,896</u>	<u>-</u>	<u>1,879,896</u>	<u>-</u>
Total	<u>\$ 5,024,761</u>	<u>\$ -</u>	<u>\$ 5,024,761</u>	<u>\$ -</u>

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real personal property taxes received in calendar year 2017 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value.

The School District receives property taxes from Clark, Clinton, Fayette, Greene, Montgomery and Warren Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018 are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the property taxes which were measurable as of June 30, 2018, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 – PROPERTY TAXES (continued)

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 of resources.

The amount available as an advance at June 30, 2018 was \$477,721 in the General Fund and \$129,884 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2017 was \$706,289 in the General Fund and \$190,993 in the Permanent Improvement Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is recorded as a deferred inflow.

The assessed valuations upon which fiscal year 2018 taxes were collected are as follows:

	<u>2017 2nd Half Collections</u>	<u>Percent</u>	<u>2018 1st Half Collections</u>	<u>Percent</u>
Real Estate	\$ 3,880,766,250	96.87%	\$ 4,026,932,730	96.93%
Public Utility Personal	<u>125,302,130</u>	3.13%	<u>127,321,060</u>	3.06%
Total Assessed Valuation	<u>\$ 4,006,068,380</u>		<u>\$ 4,154,253,790</u>	

NOTE 7 – RECEIVABLES

Receivables at June 30, 2018 consisted of accrued interest, accounts (tuition and student fees), interfund, intergovernmental grants and property taxes. 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. All receivables are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the intergovernmental receivables for the governmental funds are as follows:

	<u>Receivable</u>
General Fund:	
Miscellaneous	\$ 6,141
Nonmajor Governmental Funds:	
Carl Perkins Grant	29,854
Agriculture Education Grant	<u>6,186</u>
Total Intergovernmental Receivable	<u>\$ 42,181</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8 – CAPITAL ASSETS

Changes in capital assets during the fiscal year ended June 30, 2018 were as follows:

	Balance <u>7/1/2017</u>	Increase	Decrease	Balance <u>6/30/2018</u>
<u>Capital Assets, not depreciated:</u>				
Land	\$ 315,028	\$ -	\$ -	\$ 315,028
Total Capital Assets, not depreciated:	<u>315,028</u>	<u>-</u>	<u>-</u>	<u>315,028</u>
 <u>Capital Assets, being depreciated</u>				
Land Improvements	1,677,296	10,300	-	1,687,596
Buildings	18,187,705	5,050	-	18,192,755
Machinery and Equipment	2,478,095	25,463	-	2,503,558
Vehicles	264,736	10,140	-	274,876
	<u>22,607,832</u>	<u>50,953</u>	<u>-</u>	<u>22,658,785</u>
 <u>Less: Accumulated Depreciation</u>				
Land Improvements	(495,477)	(33,268)	-	(528,745)
Buildings	(6,839,708)	(406,105)	-	(7,245,813)
Machinery and Equipment	(1,816,468)	(84,979)	-	(1,901,447)
Vehicles	(146,595)	(29,222)	-	(175,817)
	<u>(9,298,248)</u>	<u>(553,574) *</u>	<u>-</u>	<u>(9,851,822)</u>
Depreciable Capital Assets, Net	<u>13,309,584</u>	<u>(502,621)</u>	<u>-</u>	<u>12,806,963</u>
Total Capital Assets, Net	<u>\$ 13,624,612</u>	<u>\$ (502,621)</u>	<u>\$ -</u>	<u>\$ 13,121,991</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:		
Vocational	\$ 63,426	
Adult	1,605	
Support Services:		
Instructional Support	5,425	
Board of Education	7,915	
Operation & Maintenance of Plant	474,839	
Non-instructional Services	364	
Total Depreciation Expense	<u>\$ 553,574</u>	

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 9 – LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2018 were as follows:

	Restated Balance 7/1/2017	Increase	Decrease	Balance 6/30/2018	Due within One Year
Net Pension Liability:					
STRS	\$ 18,187,408	\$ -	\$ 4,670,567	\$ 13,516,841	\$ -
SERS	3,285,259	-	621,061	2,664,198	-
Net OPEB Liability:					
STRS	2,905,825	-	685,777	2,220,048	-
SERS	1,228,169	-	98,068	1,130,101	-
Compensated Absences	325,701	-	50,806	274,895	56,516
Total Long-Term Obligations	<u>\$ 25,932,362</u>	<u>\$ -</u>	<u>\$ 6,126,279</u>	<u>\$ 19,806,083</u>	<u>\$ 56,516</u>

The School District pays obligations related to employee compensation (pension and OPEB contributions and compensated absences) from the fund benefitting from their service. Under current state statutes, the School District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. At June 30, 2018, the School District had no general obligation debt outstanding.

NOTE 10 – 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.

The net pension liability represents the School 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.

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

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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

GASB Statement No. 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 contractually-required pension contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 **	Eligible to retire on or after August 1, 2017
Full benefits	Age 65 with 5 years of service credit; or any age with 25 years of service credit	Age 67 with 10 years of service credit; or age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or 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.

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

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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$199,777 for fiscal year 2018. Of this amount, \$36,849 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School 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.

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% 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 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 26 years of service, or 31 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan 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 5 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 Statement No. 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. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$880,851 for fiscal year 2018. Of this amount, \$136,956 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,664,198	\$ 13,516,841	\$ 16,181,039
Proportion of the net pension liability	0.0445907%	0.0569005%	
Change in proportionate share	0.0002953%	0.0025660%	
Pension (negative) expense	\$ (320,732)	\$ (5,431,574)	\$ (5,752,306)

At June 30, 2018 the School 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>
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 114,659	\$ 521,957	\$ 636,616
Change in assumptions	137,767	2,956,280	3,094,047
Change in School District's proportionate share and difference in employer contributions	-	602,317	602,317
School District contributions subsequent to the measurement date	<u>199,777</u>	<u>880,851</u>	<u>1,080,628</u>
Total	<u>\$ 452,203</u>	<u>\$ 4,961,405</u>	<u>\$ 5,413,608</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ -	\$ (108,940)	\$ (108,940)
Net difference between projected and actual earnings on pension plan investments	(12,646)	(446,072)	(458,718)
Change in School District's proportionate share and difference in employer contributions	<u>(351,112)</u>	<u>(744,578)</u>	<u>(1,095,690)</u>
Total	<u>\$ (363,758)</u>	<u>\$ (1,299,590)</u>	<u>\$ (1,663,348)</u>

\$1,080,628 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ (118,678)	\$ 402,792	\$ 284,114
2020	33,046	1,009,602	1,042,648
2021	36,408	981,858	1,018,266
2022	(62,108)	386,712	324,604
	\$ (111,332)	\$ 2,780,964	\$ 2,669,632

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.

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 consider the employee’s entire career with the employer and 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, 2017, are presented below:

Wage inflation	3.00 percent	
Future salary increases, including inflation	3.50 percent to 18.20 percent	
COLA or Ad Hoc COLA	2.50 percent	
Investment rate of return	7.50 percent of net investments expense, including inflation	
Actuarial cost method	Entry Age Normal	

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection

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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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 asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

Discount Rate – Total pension liability was calculated using the discount rate of 7.5%. 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 (7.5%). 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 School 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 7.5%, 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 (6.5%), or one percentage point higher (8.5%) than the current rate.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 3,697,214	\$ 2,664,198	\$ 1,798,836

Actuarial Assumptions - STRS

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

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and prior
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, Including inflation	7.45%, net of investment expenses	7.75%. net of investment expenses
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments	0% effective July 1, 2017	2% simple for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5 th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disability mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally, using mortality improvement scale MP-2016.

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	<u>2.25</u>
Total	<u>100.00 %</u>	<u>6.84 %</u>

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the School 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$ 19,375,933	\$ 13,516,841	\$ 8,581,436

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2018, one of the members of the Board of Education has elected social security. The Board's liability is 6.2% of wages paid.

NOTE 11 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, the minimum compensation amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$6,649.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$14,048 for fiscal year 2018. Of this amount \$6,649 is reported as an intergovernmental payable.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description—The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net OPEB liability	\$ 1,130,101	\$ 2,220,048	\$ 3,350,149
Proportion of the net OPEB liability	0.0421092%	0.0569005%	
Change in proportionate share	-0.0009789%	0.0025660%	
OPEB (negative) expense	\$ 54,973	\$ (657,835)	\$ (602,862)

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ -	\$ 128,154	\$ 128,154
Change in School District's proportionate share and difference in employer contributions	-	117,626	117,626
School District contributions subsequent to the measurement date	<u>14,048</u>	<u>-</u>	<u>14,048</u>
Total	<u>\$ 14,048</u>	<u>\$ 245,780</u>	<u>\$ 259,828</u>
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on OPEB plan investments	\$ (2,984)	\$ (94,892)	\$ (97,876)
Change in assumptions	(107,240)	(178,830)	(286,070)
Difference between employer contributions and proportionate share of contributions	<u>(34,391)</u>	<u>-</u>	<u>(34,391)</u>
Total	<u>\$ (144,615)</u>	<u>\$ (273,722)</u>	<u>\$ (418,337)</u>

\$14,048 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ (52,062)	\$ (12,565)	\$ (64,627)
2020	(52,062)	(12,565)	(64,627)
2021	(39,745)	(12,565)	(52,310)
2022	(746)	(12,565)	(13,311)
2023	-	11,158	11,158
2024	<u>-</u>	<u>11,160</u>	<u>11,160</u>
	<u>\$ (144,615)</u>	<u>\$ (27,942)</u>	<u>\$ (172,557)</u>

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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 consider the employee's entire career with the employer and 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 OPEB liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Investment Rate of Return	7.50% net of investment expense, including inflation
Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
Municipal Bond Index Rate:	
Prior Measurement Date	2.92%
Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Prior Measurement Date	2.98%
Measurement Date	3.63%
Medical Trend Assumption:	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. PR-2000 Disabled Mortality Table with 90% for males rate and 100% for female rates set back five years.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stock	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56% as of June 30, 2017 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.63%, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%) and one percentage point higher (4.63%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$ 1,364,740	\$ 1,130,101	\$ 944,206

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5% decreasing to 4.0%) and one percentage point higher (8.5% decreasing to 6.0%) than the current rates.

	1% Decrease (6.50% decreasing to 4.00%)	Current Trend Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
School District's proportionate share of the net OPEB liability	\$ 916,992	\$ 1,130,101	\$ 1,412,153

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017 actuarial valuation are presented below:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6% - 11% initially, 4.50% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	<u>2.25</u>
Total	<u>100.00 %</u>	<u>6.84 %</u>

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS’ investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58% as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26% which represents the long term expected rate of return of 7.75% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85% for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 4.13%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) and one percentage point higher (5.13%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$ 2,980,380	\$ 2,220,048	\$ 1,619,139
	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
School District's proportionate share of the net OPEB liability	\$ 1,542,395	\$ 2,220,048	\$ 3,111,921

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the School District contracted with Liberty Mutual Insurance Company for property, general liability and automobile insurance.

Coverage provided by Liberty Mutual is as follows:

Buildings and Contents – replacement costs (\$1,000 deductible)	\$41,948,951
Automobile Liability	1,000,000
School Errors and Omissions Liability (\$2,500 deductible)	
Per Occurrence	1,000,000
Total Per Year	3,000,000
General Liability:	
Per Occurrence	1,000,000
Total Per Year	3,000,000
Umbrella Liability	5,000,000

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

B. Workers Compensation

For fiscal year 2018, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping its representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Hunter Consulting Company provides administrative, cost control and actuarial services to the GRP.

NOTE 13 – OTHER BENEFITS

A. Compensated Absences

Accumulated Unpaid Vacation - School District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave.

Accumulated Unpaid Sick Leave - Sick leave may be accumulated by School District employees. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum of 76.25 days for certified employees and 70 days for classified employees.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 13 – OTHER BENEFITS (continued)

B. Insurance Benefits

The School District has elected to provide employee medical and dental benefits using United Health Care and Delta Dental coverage obtained through Southwestern Ohio Educational Purchasing Council's (SOEPC) employees benefit program. Although the Board pays 100% of the Dental insurance for fulltime employees, employees share the cost of the monthly medical premium with the Board. The Board pays ninety percent of a single plan premium and eighty-five percent of a family plan premium. The School District's responsibility for payment of claims is limited to the monthly premium contribution made to the program.

In addition, the Board pays seventy five percent of single or family plan premiums for vision insurance through VSP and provides life insurance to employees through American United Life Insurance Company.

NOTE 14 – INTERFUND TRANSFERS

Individual fund interfund transfer balances at June 30, 2018 were as follows:

	<u>Transfer-In</u>	<u>Transfer-Out</u>
General Fund	\$ -	\$ 5,000,000
Capital Improvement	5,000,000	-
	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

Interfund transfers are used to move General Fund revenue to subsidize various capital projects.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

The School District is a member of the Miami Valley Educational Computer Association (MVECA), which is a computer consortium of area School Districts sharing computer resources. MVECA is an association of public school districts in a geographical area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member School Districts. The Board of MVECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium. During fiscal year 2018, the School District paid \$36,739 for services and fees. Financial information can be obtained from Thor Sage, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Educational Purchasing Council

The School District is a member of the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools within geographical boundaries as defined by the SOEPC and to serve as a resource to member school districts on matters related to business operations.

The School District participates in the Council's Employees Benefit Program (EBP), a public entity risk pool, and Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The business and affairs of the EBP and GRP are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The benefits administrator of SOEPC serves as the coordinator for both programs. EBP contributions are limited to monthly "premium" contributions. Contributions to the GRP include annual enrollment fee to cover the costs of administering the program.

The SOEPC elects one of its members as Chairperson and another as Vice-Chairperson. An Executive Committee is comprised of eleven members who include the Chairperson and Vice-Chairperson and a representative from the Fiscal Agent. Each new member pays an initiation fee in addition to the annual membership fee and other appropriate assessments; however the annual membership fees for 2018 were waived. Financial information can be obtained from Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 16 – CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

B. Full-Time Equivalency Review

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of the enrollment adjustments to the Foundation funding for the District for fiscal year 2018; however, based on information currently available, management does not believe the results of that review will have a material effect on the District's financial statement.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 16 – CONTINGENT LIABILITIES (Continued)

C. Litigation

The School District is not a party to any legal proceedings in which the ultimate disposition of will materially affect its financial position.

NOTE 17 – SET ASIDE DISCLOSURE

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

During the fiscal year ended June 30, 2018, the School District’s cash basis reserve activity was as follows:

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2017	\$ -
Current Fiscal Year Set-aside Requirement	145,591
Current Fiscal Year Offsets	(2,350,091)
Qualifying Disbursements	-
Ending Set-aside Balance	(2,204,500)
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$ -
Set-aside Reserve Balance as of June 30, 2018	\$ -

The School District had qualifying offsets during the fiscal year that reduced the capital set-aside amounts below zero. However; due to statutory requirements, the balance is not permitted to be carried forward to future fiscal years.

NOTE 18 – SUBSEQUENT EVENTS

On November 6, 2018 the District passed a bond levy for the purpose of constructing school facilities, including a new career center; furnishing and equipping the same; improving the sites thereof; and acquiring interests in land as necessary in connection therewith in the principal amount of \$62,000,000 to be repaid annually over a maximum period of 20 years, and an annual levy of taxes estimated by the county auditor to average over the repayment period of the bond issue, commencing in 2018, first due in calendar year 2019. The funds are to pay the annual debt charges on the bonds, and to pay debt charges on any notes issued in anticipation of those bonds.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST FIVE MEASUREMENT PERIODS (1)

	2017	2016	2015	2014	2013
<u>School Employees Retirement System of Ohio:</u>					
District's Proportion of the Net Pension Liability	0.044591%	0.044886%	0.055288%	0.061775%	0.061775%
District's Proportionate Share of the Net Pension Liability	\$ 2,664,198	\$ 3,285,259	\$ 3,154,775	\$ 3,126,398	\$ 3,673,561
District's Covered Payroll	\$ 1,495,007	\$ 1,394,000	\$ 1,768,005	\$ 1,813,196	\$ 1,625,434
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll.	178.21%	235.67%	178.44%	172.42%	226.00%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
<u>State Teachers Retirement System of Ohio:</u>					
District's Proportion of the Net Pension Liability	0.05690053%	0.05433454%	0.05493462%	0.06325594%	0.06325594%
District's Proportionate Share of the Net Pension Liability	\$ 13,516,841	\$ 18,187,408	\$ 15,182,322	\$ 15,386,034	\$ 18,327,743
District's Covered Payroll	\$ 6,255,514	\$ 5,717,036	\$ 5,731,721	\$ 6,960,162	\$ 6,503,100
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll.	216.08%	318.13%	264.88%	221.06%	281.83%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

See accompanying notes to the supplementary information.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

SCHEDULE OF DISTRICTS CONTRIBUTIONS - PENSION PLANS
LAST EIGHT FISCAL YEARS (1)

	2018	2017	2016	2015	2014	2013	2012	2011
<u>School Employees Retirement System of Ohio:</u>								
Contractually Required Contribution	\$ 199,777	\$ 209,301	\$ 195,160	\$ 233,023	\$ 251,309	\$ 224,960	\$ 226,535	\$ 235,092
Contributions in Relation to the Contractually Required Contributions	(199,777)	(209,301)	(195,160)	(233,023)	(251,309)	(224,960)	(226,535)	(235,092)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Covered Payroll	\$ 1,479,830	\$ 1,495,007	\$ 1,394,000	\$ 1,768,005	\$ 1,813,196	\$ 1,625,434	\$ 1,684,275	\$ 1,870,263
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
<u>State Teachers Retirement System of Ohio:</u>								
Contractually Required Contribution	\$ 880,851	\$ 875,772	\$ 800,385	\$ 802,441	\$ 904,821	\$ 845,403	\$ 857,759	\$ 849,494
Contributions in Relation to the Contractually Required Contributions	(880,851)	(875,772)	(800,385)	(802,441)	(904,821)	(845,403)	(857,759)	(849,494)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Covered Payroll	\$ 6,291,793	\$ 6,255,514	\$ 5,717,036	\$ 5,731,721	\$ 6,960,162	\$ 6,503,100	\$ 6,598,146	\$ 6,534,569
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) - Information prior to fiscal year 2011 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TWO MEASUREMENT PERIODS (1)

	2017	2016
<u>School Employees Retirement System of Ohio:</u>		
District's Proportion of the Net OPEB Liability	0.04210920%	0.04113030%
District's Proportionate Share of the Net OPEB Liability	\$ 1,130,101	\$ 1,219,743
District's Covered Payroll	\$ 1,495,007	\$ 1,394,000
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll.	75.59%	87.50%
Plan Fiduciary Net OPEB as a Percentage of the Total OPEB Liability	12.46%	11.49%
 <u>State Teachers Retirement System of Ohio:</u>		
District's Proportion of the Net OPEB Liability	0.05690050%	0.05433450%
District's Proportionate Share of the Net OPEB Liability	\$ 2,220,048	\$ 2,905,825
District's Covered Payroll	\$ 6,255,514	\$ 5,717,036
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll.	35.49%	50.83%
Plan Fiduciary Net OPEB as a Percentage of the Total OPEB Liability	47.11%	37.30%

(1) - Information prior to 2016 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

See accompanying notes to the supplementary information.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB PLANS
LAST THREE FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>School Employees Retirement System of Ohio:</u>			
Contractually Required Contribution (2)	\$ 14,048	\$ 8,426	\$ 20,104
Contributions in Relation to the Contractually Required Contributions	<u>(14,048)</u>	<u>(8,426)</u>	<u>(20,104)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 1,479,830	\$ 1,495,007	\$ 1,394,000
Contributions as a Percentage of Covered Payroll (2)	0.95%	0.56%	1.44%
<u>State Teachers Retirement System of Ohio:</u>			
Contractually Required Contribution	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 6,291,793	\$ 6,255,514	\$ 5,717,036
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) - Information prior to fiscal year 2016 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

(2) - In addition to the allocation of employer contributions, SERS assesses a surcharge on employers for employees earning less than an actuarially determined minimum compensation amount, which is pro-rated if less than a full year of service credit is earned.

See accompanying notes to the supplementary information.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE A – PENSION PLANS

School Employees Retirement System of Ohio:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

State Teachers Retirement System of Ohio:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

NOTE B – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

School Employees Retirement System of Ohio:

Change in assumption. Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

State Teachers Retirement System of Ohio:

Change in assumption. For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 % to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Greene County Vocational School District
Greene County
2960 West Enon Road
Xenia, Ohio 45385

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Greene County Vocational School District, Greene, County, Ohio (the District), as of and for the year ended June 30, 2018, 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 3, 2018. We noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
December 3, 2018

OHIO AUDITOR OF STATE
KEITH FABER



GREENE COUNTY VOCATIONAL SCHOOL DISTRICT

GREENE 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
FEBRUARY 12, 2019**