

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2015**



Dave Yost • Auditor of State

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ashland County-West Holmes Joint Vocational School District
Ashland County
1783 State Route 60
Ashland, Ohio 44805

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 Ashland County-West Holmes Joint Vocational School District, Ashland County, Ohio, (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ashland County-West Holmes Joint Vocational School District, Ashland County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Adult Education funds 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, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2015

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**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The management's discussion and analysis of the Ashland County-West Holmes Joint Vocational School District (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position of governmental activities increased \$679,381 which represents a 60.17% increase from a restated 2014 balance as restated in Note 3.A. to the basic financial statements.
- General revenues accounted for \$5,591,609 in revenue or 73.09% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,058,572 or 26.91% of total revenues of \$7,650,181.
- The District had \$6,970,800 in expenses related to governmental activities; \$2,058,572 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,591,609 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, permanent improvement fund and the adult education fund. The general fund had \$5,660,083 in revenues and \$5,248,330 in expenditures. During fiscal year 2015, the general fund's fund balance increased \$411,753 from a balance of \$4,500,104 to \$4,911,857.
- The permanent improvement fund had \$809,355 in revenues and other financing sources and \$558,743 in expenditures and other financing sources. During fiscal year 2015, the permanent improvement fund's fund balance increased \$250,612 from \$699,061 to \$949,673.
- The adult education fund had \$1,016,349 in revenues and \$1,129,156 in expenditures. During fiscal year 2015, the adult education fund's fund balance decreased \$112,807 from \$765,117 to \$652,310.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, permanent improvement fund and the adult education fund are by far the most significant funds, and the only governmental funds reported as major funds.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, and extracurricular activities.

The District's statement of net position and statement of activities can be found on pages 19-20 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the permanent improvement fund and the adult education fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 21-26 of this report.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 30 and 31. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-66 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 67 through 73 of this report.

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**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

| | Net Position | |
|--|------------------------------------|--|
| | Governmental Activities 2015 | Restated Governmental Activities 2014 |
| <u>Assets</u> | | |
| Current and other assets | \$ 10,247,493 | \$ 9,558,197 |
| Capital assets, net | <u>4,893,636</u> | <u>4,912,737</u> |
| Total assets | <u>15,141,129</u> | <u>14,470,934</u> |
| <u>Deferred outflows of resources</u> | | |
| Pension | <u>615,221</u> | <u>494,596</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 661,074 | 641,109 |
| Long-term liabilities: | | |
| Due within one year | 233,228 | 177,699 |
| Due in more than one year: | | |
| Net pension liability | 8,412,632 | 9,998,263 |
| Other amounts | <u>724,390</u> | <u>888,719</u> |
| Total liabilities | <u>10,031,324</u> | <u>11,705,790</u> |
| <u>Deferred inflows of resources</u> | | |
| Property taxes levied for the next fiscal year | 2,392,109 | 2,130,570 |
| Pension | <u>1,524,366</u> | - |
| Total deferred inflows of resources | <u>3,916,475</u> | <u>2,130,570</u> |
| <u>Net Position</u> | | |
| Net Investment in capital assets | 4,325,944 | 4,229,623 |
| Restricted | 1,456,485 | 1,503,382 |
| Unrestricted (deficit) | <u>(3,973,878)</u> | <u>(4,603,835)</u> |
| Total net position | <u>\$ 1,808,551</u> | <u>\$ 1,129,170</u> |

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

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

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

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

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

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$10,632,837 to a balance of \$1,129,170.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

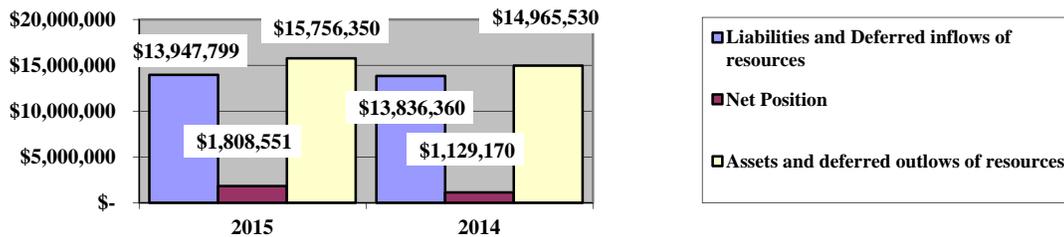
**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$1,808,551. Of this total, \$1,456,485 is restricted in use.

At year-end, capital assets represented 32.32% of total assets. Capital assets include land, land improvements, buildings and building improvements, infrastructure, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2015, was \$4,325,944. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$1,456,485, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$3,973,878 which is the result of GASB Statement No. 68, as described in Note 11.

Governmental Activities



The table below shows the change in net position for fiscal year 2015 and 2014.

Change in Net Position

| | Governmental Activities 2015 | Governmental Activities 2014 |
|------------------------------------|------------------------------------|------------------------------------|
| Revenues | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,014,540 | \$ 985,481 |
| Operating grants and contributions | 1,044,032 | 1,096,428 |
| Capital grants and contributions | - | 6,498 |
| General revenues: | | |
| Property taxes | 2,980,570 | 2,987,192 |
| Grants and entitlements | 2,579,072 | 2,582,606 |
| Investment earnings | 15,285 | 14,878 |
| Other | 16,682 | 14,215 |
| Total revenues | 7,650,181 | 7,687,298 |

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Change in Net Position

| | Governmental Activities <u>2015</u> | Governmental Activities <u>2014</u> |
|--|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | 488,824 | 526,226 |
| Special | 361,535 | 388,842 |
| Vocational | 2,586,750 | 2,492,068 |
| Adult/continuing | 1,081,626 | 1,189,533 |
| Other | 17,958 | 16,375 |
| Support services: | | |
| Pupil | 232,213 | 145,625 |
| Instructional staff | 29,968 | 61,928 |
| Board of education | 53,227 | 84,730 |
| Administration | 810,640 | 719,784 |
| Fiscal | 317,614 | 391,864 |
| Business | 2,219 | 3,012 |
| Operations and maintenance | 553,339 | 647,839 |
| Pupil transportation | 5,999 | 12,901 |
| Central | 136,610 | 98,504 |
| Operations of non-instructional services: | | |
| Other non-instructional services | 112,122 | 145,216 |
| Food service operations | 139,907 | 131,934 |
| Extracurricular activities | 17,166 | 18,862 |
| Interest and fiscal charges | <u>23,083</u> | <u>30,880</u> |
| Total expenses | <u>6,970,800</u> | <u>7,106,123</u> |
| Change in net position | 679,381 | 581,175 |
| Net position at beginning of year (restated) | <u>1,129,170</u> | <u>N/A</u> |
| Net position at end of year | <u>\$ 1,808,551</u> | <u>\$ 1,129,170</u> |

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$494,596 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$353,914.

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Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

| | |
|---|------------------|
| Total 2015 program expenses under GASB 68 | \$ 6,970,880 |
| Pension expense under GASB 68 | (353,914) |
| 2015 contractually required contributions | <u>535,804</u> |
| Adjusted 2015 program expenses | 7,152,770 |
| Total 2014 program expenses under GASB 27 | <u>7,106,123</u> |
| Increase in program expenses not related to pension | <u>\$ 46,647</u> |

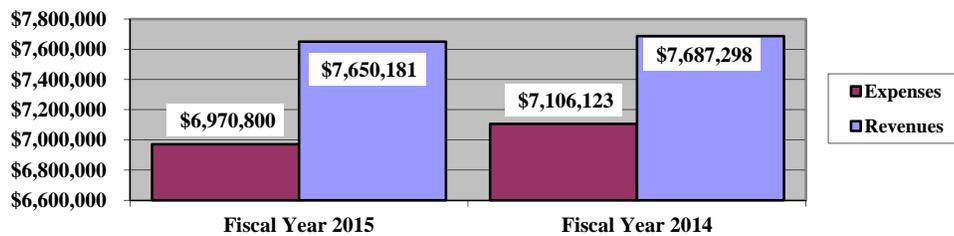
Net position of the District's governmental activities increased \$679,381. Total governmental expenses of \$6,970,800 were offset by program revenues of \$2,058,572 and general revenues of \$5,591,609. Program revenues supported 29.53% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 72.67% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,536,693 or 65.08% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2015 and 2014.

Governmental Activities - Revenues and Expenses



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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities

| | Total Cost of Services <u>2015</u> | Net Cost of Services <u>2015</u> | Total Cost of Services <u>2014</u> | Net Cost of Services <u>2014</u> |
|---|--|--|--|--|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | 488,824 | 394,178 | 526,226 | 468,462 |
| Special | 361,535 | 94,241 | 388,842 | 96,558 |
| Vocational | 2,586,750 | 2,181,104 | 2,492,068 | 2,152,924 |
| Adult/continuing | 1,081,626 | 121,617 | 1,189,533 | 6,560 |
| Other | 17,958 | 17,958 | 16,375 | 16,375 |
| Support services: | | | | |
| Pupil | 232,213 | 210,748 | 145,625 | 118,605 |
| Instructional staff | 29,968 | 23,543 | 61,928 | 53,111 |
| Board of education | 53,227 | 53,227 | 84,730 | 84,730 |
| Administration | 810,640 | 687,095 | 719,784 | 700,791 |
| Fiscal | 317,614 | 316,489 | 391,864 | 391,864 |
| Business | 2,219 | 2,219 | 3,012 | 3,012 |
| Operations and maintenance | 553,339 | 535,114 | 647,839 | 644,814 |
| Pupil transportation | 5,999 | 5,999 | 12,901 | 12,901 |
| Central | 136,610 | 95,371 | 98,504 | 78,009 |
| Operations of non-instructional services: | | | | |
| Other non-instructional services | 112,122 | 112,122 | 145,216 | 145,216 |
| Food service operations | 139,907 | 20,954 | 131,934 | (5,958) |
| Extracurricular activities | 17,166 | 17,166 | 18,862 | 18,862 |
| Interest and fiscal charges | 23,083 | 23,083 | 30,880 | 30,880 |
| Total expenses | <u>\$ 6,970,800</u> | <u>\$ 4,912,228</u> | <u>\$ 7,106,123</u> | <u>\$ 5,017,716</u> |

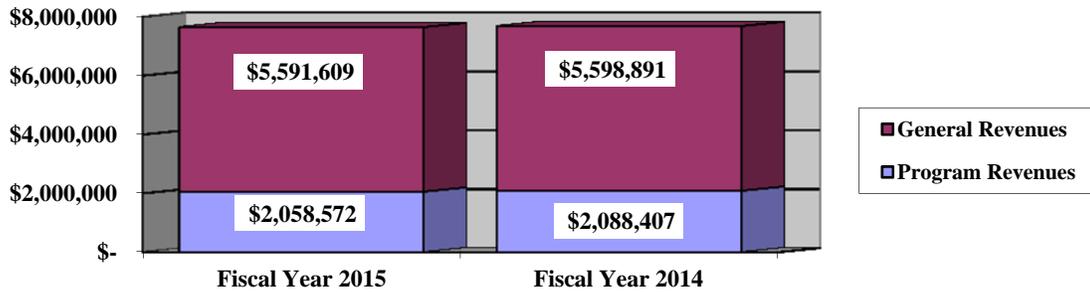
The dependence upon tax and other general revenues for governmental activities is apparent, as 61.92% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 70.47%. The District's taxpayers and State funding are the primary support for District's students.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

The graph below presents the District's governmental activities revenue for fiscal year 2015 and 2014.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$6,567,135, which is higher than last year's total of \$6,012,032. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

| | <u>Fund Balance June 30, 2015</u> | <u>Fund Balance June 30, 2014</u> | <u>Increase / (Decrease)</u> | <u>Percentage Change</u> |
|-----------------------|---------------------------------------|---------------------------------------|----------------------------------|------------------------------|
| General | \$ 4,911,857 | \$ 4,500,104 | \$ 411,753 | 9.15 % |
| Permanent Improvement | 949,673 | 699,061 | 250,612 | 35.85 % |
| Adult Education | 652,310 | 765,117 | (112,807) | (14.74) % |
| Other Governmental | <u>53,295</u> | <u>47,750</u> | <u>5,545</u> | 11.61 % |
| Total | <u>\$ 6,567,135</u> | <u>\$ 6,012,032</u> | <u>\$ 555,103</u> | 9.23 % |

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

General Fund

The District's general fund balance increased \$411,753 or 9.15%.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | <u>2015</u> <u>Amount</u> | <u>2014</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 2,566,528 | \$ 2,574,511 | \$ (7,983) | (0.31) % |
| Intergovernmental | 2,736,539 | 2,739,613 | (3,074) | (0.11) % |
| Investment income | 9,426 | 11,759 | (2,333) | (19.84) % |
| Tuition and fees | 287,922 | 214,970 | 72,952 | 33.94 % |
| Charges for services | 39,461 | 39,474 | (13) | (0.03) % |
| Other revenues | <u>20,207</u> | <u>17,240</u> | <u>2,967</u> | 17.21 % |
| Total | <u>\$ 5,660,083</u> | <u>\$ 5,597,567</u> | <u>\$ 62,516</u> | 1.12 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 3,251,710 | \$ 3,328,489 | \$ (76,779) | (2.31) % |
| Support services | 1,855,424 | 1,929,133 | (73,709) | (3.82) % |
| Operation of non-instructional services | 112,122 | 145,216 | (33,094) | (22.79) % |
| Capital outlay | - | 51,558 | (51,558) | (100.00) % |
| Extracurricular activities | 17,942 | 18,862 | (920) | (4.88) % |
| Debt service | <u>11,132</u> | <u>1,855</u> | <u>9,277</u> | 500.11 % |
| Total | <u>\$ 5,248,330</u> | <u>\$ 5,475,113</u> | <u>\$ (226,783)</u> | (4.14) % |

Investment income decreased \$2,333 or 19.84% due to lower interest rates on District investments. Tuition and fees increased \$72,952 or 33.94% due to an increase in contract service revenue. Other revenues increased \$2,967 or 17.21% due mainly to an increase in contributions and donations and other miscellaneous revenue received by the District. Operation of non-instructional services decreased \$33,094 due to fewer expenses throughout the District. Capital outlay and debt service expenditures decreased \$51,558 and increased \$9,277, respectively, due to the District entering into a capital lease for copier equipment during fiscal year 2014. All other revenues and expenditures remain comparable to the prior year.

Permanent Improvement Fund

The permanent improvement fund had \$476,820 in revenues and \$226,208 in expenditures. During fiscal year 2015, the permanent improvement fund's fund balance increased \$250,612 from \$699,061 to \$949,673.

Adult Education Fund

The adult education fund had \$1,016,349 in revenues and \$1,129,156 in expenditures. During fiscal year 2015, the adult education fund's fund balance decreased \$112,807 from \$765,117 to \$652,310.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues were \$5,565,365 and final budgeted revenues and other financing sources were \$5,659,879. Actual revenues and other financing sources for fiscal year 2015 were \$5,565,304. This represents a \$94,575 increase over final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures including other financing uses) of \$5,237,058 were \$46,014 less than the final appropriated budget of \$5,283,072. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$5,188,713, which was \$94,359 less than the final budget appropriations, due to controls on spending.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$4,893,636 invested in land, land improvements, buildings and building improvements, infrastructure, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2015 balances compared to 2014:

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

| | <u>Governmental Activities</u> | |
|-------------------------------------|--------------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Land | \$ 50,000 | \$ 50,000 |
| Land improvements | 22,361 | 23,241 |
| Buildings and building improvements | 3,888,531 | 4,007,826 |
| Infrastructure | 7,064 | 8,085 |
| Furniture and fixtures | 914,959 | 810,534 |
| Vehicles | <u>10,721</u> | <u>13,051</u> |
| Total | <u>\$ 4,893,636</u> | <u>\$ 4,912,737</u> |

The overall decrease in capital assets of \$19,101 is due to depreciation expense of \$293,384 exceeding capital outlays of \$274,283 in the fiscal year.

See Note 7 to the basic financial statements for additional information on the District's capital assets.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Debt Administration

At June 30, 2015, the District had \$518,205 in energy conservation improvement bonds and \$49,487 in capital lease obligations outstanding. Of this total, \$159,821 is due within one year and \$407,871 is due in more than one year.

The following table summarizes the outstanding debt at year end.

Outstanding Debt, at Year End

| | Governmental Activities <u>2015</u> | Governmental Activities <u>2014</u> |
|---------------------------|---|---|
| Energy conservation bonds | \$ 518,205 | \$ 621,626 |
| Capital lease obligations | <u>49,487</u> | <u>61,488</u> |
| Total | <u>\$ 567,692</u> | <u>\$ 683,114</u> |

See Note 9 to the basic financial statements for additional information on the District's long-term obligations.

Current Financial Related Activities

The District is fiscally sound and ended the 2015 fiscal year in a strong financial position. However, it is a fact that the District faces many financial challenges. The first challenge is that although the District had the resources necessary to meet operating expenses in fiscal year 2015, primarily due to closely monitoring expenditures, it will be critical that the District's management continues to operate the District within its financial means, in order to avoid operating deficits. According to the District's current five-year forecast, in fiscal year 2019 the District will experience an operating deficit if revenues do not increase, or if expenses are not reduced. District management is currently evaluating revenue options and cuts in expenditures that will provide a balance for a financially stable District, students that are receiving the services they deserve and taxpayers that are willing to support the needs of both.

Noteworthy, however, is the fact that the District is heavily dependent upon property taxes and have been stunted by a lack of revenue growth and must regularly return to the voters to maintain a constant revenue stream and in turn a constant level of service to the District's stakeholders, its students. In light of this fact, the voters of the District passed a one mill operating levy in November 2015 as the previous levy will expire in calendar year 2015. With the passage of the renewal, the District will realize stability within its local revenue support.

State foundation funding has remained stable to the District as the District has been placed on a funding guarantee through fiscal year 2017. Beyond this timeline, decisions by the legislature in regards to State budget could have an adverse effect in revenue collection in this area. The District's management is evaluating options through program offerings that could potentially offer higher levels of career technical weighted foundation funding that would allow the District to exceed or maintain the same level of funding received currently and in recent school years.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The District's management must continue to provide the resources necessary to meet student needs while diligently planning expenses and staying within the five-year plan. The five-year plan is utilized by management to manage resources effectively and efficiently. Additional revenues ideally are not to be treated as a windfall to supplement current programs but as an opportunity to extend the life of the five-year plan by means of creating additional cutting-edge programs that best serve student and community needs as well as providing opportunity to expand revenue growth in career technical weighted state foundation funding.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show that the District is accountable for the money it receives. If you have questions about this report or need additional financial information contact Ms. Julie Smith, Treasurer, Ashland County-West Holmes Joint Vocational School District, 1783 State Route 60, Ashland, OH 44805.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2015**

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. . . . | \$ 6,474,698 |
| Cash with fiscal agent | 537,375 |
| Receivables: | |
| Property taxes | 3,139,312 |
| Accounts. | 9,584 |
| Intergovernmental | 48,442 |
| Prepayments | 27,928 |
| Materials and supplies inventory. | 5,661 |
| Inventory held for resale. | 4,493 |
| Capital assets: | |
| Nondepreciable capital assets | 50,000 |
| Depreciable capital assets, net. | 4,843,636 |
| Capital assets, net | <u>4,893,636</u> |
| Total assets. | <u>15,141,129</u> |
| Deferred outflows of resources: | |
| Pension - STRS | 493,876 |
| Pension - SERS | 121,345 |
| Total deferred outflows of resources | <u>615,221</u> |
| Liabilities: | |
| Accounts payable. | 14,175 |
| Accrued wages and benefits payable | 450,366 |
| Pension and postemployment benefits payable | 78,596 |
| Intergovernmental payable | 19,446 |
| Accrued interest payable | 1,848 |
| Claims payable. | 96,643 |
| Long-term liabilities: | |
| Due within one year. | 233,228 |
| Due in more than one year: | |
| Net pension liability (See Note 11) | 8,412,632 |
| Other amounts due in more than one year | 724,390 |
| Total liabilities | <u>10,031,324</u> |
| Deferred inflows of resources: | |
| Property taxes levied for the next fiscal year. | 2,392,109 |
| Pension - STRS. | 1,295,555 |
| Pension - SERS. | 228,811 |
| Total deferred inflows of resources | <u>3,916,475</u> |
| Net position: | |
| Net investment in capital assets | 4,325,944 |
| Restricted for: | |
| Capital projects | 970,838 |
| Locally funded programs | 1,447 |
| State funded programs. | 5,617 |
| Federally funded programs | 9,705 |
| Other purposes | 468,878 |
| Unrestricted (deficit) | (3,973,878) |
| Total net position. | <u>\$ 1,808,551</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Expenses | Program Revenues | | Net (Expense) |
|--|------------------|-----------------------------------|---------------------------------------|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Revenue and Changes in Net Position |
| | | | | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 488,824 | \$ 14,874 | \$ 79,772 | \$ (394,178) |
| Special | 361,535 | - | 267,294 | (94,241) |
| Vocational | 2,586,750 | 312,509 | 93,137 | (2,181,104) |
| Adult/continuing. | 1,081,626 | 541,836 | 418,173 | (121,617) |
| Other | 17,958 | - | - | (17,958) |
| Support services: | | | | |
| Pupil. | 232,213 | - | 21,465 | (210,748) |
| Instructional staff | 29,968 | - | 6,425 | (23,543) |
| Board of education | 53,227 | - | - | (53,227) |
| Administration. | 810,640 | 75,720 | 47,825 | (687,095) |
| Fiscal. | 317,614 | - | 1,125 | (316,489) |
| Business. | 2,219 | - | - | (2,219) |
| Operations and maintenance | 553,339 | 12,727 | 5,498 | (535,114) |
| Pupil transportation. | 5,999 | - | - | (5,999) |
| Central | 136,610 | 9,486 | 31,753 | (95,371) |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 112,122 | - | - | (112,122) |
| Food service operations | 139,907 | 47,388 | 71,565 | (20,954) |
| Extracurricular activities. | 17,166 | - | - | (17,166) |
| Interest and fiscal charges | 23,083 | - | - | (23,083) |
| Total governmental activities | 6,970,800 | 1,014,540 | 1,044,032 | (4,912,228) |
| General revenues: | | | | |
| Property taxes levied for: | | | | |
| | | | | 2,582,192 |
| | | | | 398,378 |
| Grants and entitlements not restricted | | | | |
| | | | | 2,579,072 |
| | | | | 15,285 |
| | | | | 16,682 |
| | | | | <u>5,591,609</u> |
| | | | | 679,381 |
| | | | | <u>1,129,170</u> |
| | | | | <u>\$ 1,808,551</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

| | <u>General</u> | <u>Adult Education</u> | <u>Permanent Improvement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------|----------------------------------|--|---|
| Assets: | | | | | |
| Equity in pooled cash and cash equivalents. | \$ 4,879,752 | \$ 684,279 | \$ 874,362 | \$ 36,305 | \$ 6,474,698 |
| Receivables: | | | | | |
| Property taxes. | 2,721,537 | - | 417,775 | - | 3,139,312 |
| Accounts. | - | 9,584 | - | - | 9,584 |
| Intergovernmental. | - | - | - | 48,442 | 48,442 |
| Prepayments. | 20,884 | 4,247 | - | 2,797 | 27,928 |
| Materials and supplies inventory. | 4,757 | - | - | 904 | 5,661 |
| Inventory held for resale. | - | - | - | 4,493 | 4,493 |
| Total assets | <u>\$ 7,626,930</u> | <u>\$ 698,110</u> | <u>\$ 1,292,137</u> | <u>\$ 92,941</u> | <u>\$ 9,710,118</u> |
| Liabilities: | | | | | |
| Accounts payable | \$ 5,718 | \$ 1,505 | \$ - | \$ 6,952 | \$ 14,175 |
| Accrued wages and benefits payable | 396,368 | 35,726 | - | 18,272 | 450,366 |
| Intergovernmental payable | 15,774 | 2,581 | - | 1,091 | 19,446 |
| Pension and postemployment benefits payable | 65,452 | 5,988 | - | 7,156 | 78,596 |
| Total liabilities. | <u>483,312</u> | <u>45,800</u> | <u>-</u> | <u>33,471</u> | <u>562,583</u> |
| Deferred inflows of resources: | | | | | |
| Property taxes levied for the next fiscal year. | 2,073,884 | - | 318,225 | - | 2,392,109 |
| Delinquent property tax revenue not available. | 157,877 | - | 24,239 | - | 182,116 |
| Intergovernmental revenue not available. | - | - | - | 6,175 | 6,175 |
| Total deferred inflows of resources | <u>2,231,761</u> | <u>-</u> | <u>342,464</u> | <u>6,175</u> | <u>2,580,400</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Materials and supplies inventory. | 4,757 | - | - | 904 | 5,661 |
| Prepays. | 20,884 | 4,247 | - | 2,797 | 27,928 |
| Restricted: | | | | | |
| Capital improvements | - | - | 949,673 | - | 949,673 |
| Adult education | - | 648,063 | - | - | 648,063 |
| Food service operations | - | - | - | 8,357 | 8,357 |
| Vocational education. | - | - | - | 45,432 | 45,432 |
| Other purposes. | - | - | - | 7,931 | 7,931 |
| Committed: | | | | | |
| Termination benefits. | 114,942 | - | - | - | 114,942 |
| Assigned: | | | | | |
| Student instruction | 19,696 | - | - | - | 19,696 |
| Student and staff support. | 10,675 | - | - | - | 10,675 |
| Other purposes. | 94,651 | - | - | - | 94,651 |
| Unassigned (deficit) | 4,646,252 | - | - | (12,126) | 4,634,126 |
| Total fund balances | <u>4,911,857</u> | <u>652,310</u> | <u>949,673</u> | <u>53,295</u> | <u>6,567,135</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 7,626,930</u> | <u>\$ 698,110</u> | <u>\$ 1,292,137</u> | <u>\$ 92,941</u> | <u>\$ 9,710,118</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

| | | | |
|--|----|-------------------|---|
| Total governmental fund balances | | \$ | 6,567,135 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 4,893,636 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Property taxes receivable | \$ | 182,116 | |
| Intergovernmental receivable | | 6,175 | |
| Total | | <u> </u> | 188,291 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. | | | 440,732 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (1,848) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds. | | | |
| Deferred outflows of resources - pension | | 615,221 | |
| Deferred inflows of resources - pension | | (1,524,366) | |
| Net pension liability | | (8,412,632) | |
| Total | | <u> </u> | (9,321,777) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Energy conservation bonds | | (518,205) | |
| Capital lease obligations | | (49,487) | |
| Compensated absences | | (389,926) | |
| Total | | <u> </u> | (957,618) |
| Net position of governmental activities | | \$ | <u> </u> <u>1,808,551</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>General</u> | <u>Adult Education</u> | <u>Permanent Improvement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------|----------------------------------|--|---|
| Revenues: | | | | | |
| From local sources: | | | | | |
| Property taxes | \$ 2,566,528 | \$ - | \$ 396,470 | \$ - | \$ 2,962,998 |
| Tuition | 144,935 | 550,863 | - | - | 695,798 |
| Earnings on investments | 9,426 | - | 1,171 | 29 | 10,626 |
| Charges for services | 7,727 | - | - | 47,388 | 55,115 |
| Classroom materials and fees | 31,734 | 85,381 | - | - | 117,115 |
| Rental income | 3,525 | - | - | - | 3,525 |
| Contributions and donations | 185 | 671 | - | - | 856 |
| Contract services | 142,987 | - | - | - | 142,987 |
| Other local revenues | 16,497 | 886 | - | - | 17,383 |
| Intergovernmental - intermediate | - | - | - | 1,947 | 1,947 |
| Intergovernmental - state | 2,736,539 | 378,548 | 79,179 | 34,308 | 3,228,574 |
| Intergovernmental - federal | - | - | - | 384,822 | 384,822 |
| Total revenues | <u>5,660,083</u> | <u>1,016,349</u> | <u>476,820</u> | <u>468,494</u> | <u>7,621,746</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 366,773 | - | - | 70,883 | 437,656 |
| Special | 315,141 | - | - | 30,520 | 345,661 |
| Vocational | 2,496,316 | - | 29,871 | 81,997 | 2,608,184 |
| Adult/continuing | 52,655 | 959,438 | - | 88,804 | 1,100,897 |
| Other | 20,825 | - | - | - | 20,825 |
| Support services: | | | | | |
| Pupil | 201,369 | - | - | 19,073 | 220,442 |
| Instructional staff | 24,586 | - | - | 5,077 | 29,663 |
| Board of education | 53,650 | - | - | - | 53,650 |
| Administration | 691,527 | 134,076 | - | 2,473 | 828,076 |
| Fiscal | 307,595 | - | 10,484 | 1,000 | 319,079 |
| Business | 2,278 | - | - | - | 2,278 |
| Operations and maintenance | 479,530 | 16,295 | 38,420 | - | 534,245 |
| Pupil transportation | 3,737 | - | - | - | 3,737 |
| Central | 91,152 | 16,797 | 6,568 | 23,380 | 137,897 |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | 112,122 | - | - | - | 112,122 |
| Food service operations | - | - | - | 139,742 | 139,742 |
| Extracurricular activities | 17,942 | - | - | - | 17,942 |
| Facilities acquisition and construction | - | - | 14,300 | - | 14,300 |
| Debt service: | | | | | |
| Principal retirement | 9,764 | 2,237 | 103,421 | - | 115,422 |
| Interest and fiscal charges | 1,368 | 313 | 22,394 | - | 24,075 |
| Bond issuance costs | - | - | 750 | - | 750 |
| Total expenditures | <u>5,248,330</u> | <u>1,129,156</u> | <u>226,208</u> | <u>462,949</u> | <u>7,066,643</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>411,753</u> | <u>(112,807)</u> | <u>250,612</u> | <u>5,545</u> | <u>555,103</u> |
| Other financing sources (uses): | | | | | |
| Sale of refunding bonds | - | - | 332,535 | - | 332,535 |
| Payment to refunding bond escrow agent | - | - | (332,535) | - | (332,535) |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balances | 411,753 | (112,807) | 250,612 | 5,545 | 555,103 |
| Fund balances at beginning of year | 4,500,104 | 765,117 | 699,061 | 47,750 | 6,012,032 |
| Fund balances at end of year | \$ 4,911,857 | \$ 652,310 | \$ 949,673 | \$ 53,295 | \$ 6,567,135 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**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, 2015**

| | | |
|---|------------|----------------|
| Net change in fund balances - total governmental funds | \$ | 555,103 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital asset additions | \$ 274,283 | |
| Current year depreciation | (293,384) | |
| Total | | (19,101) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | 17,572 | |
| Intergovernmental | 6,175 | |
| Total | | 23,747 |
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were: | | |
| Bonds | 103,421 | |
| Capital leases | 12,001 | |
| Total | | 115,422 |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| | | 535,804 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | | (353,914) |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | |
| | | 1,742 |
| Issuances of refunding bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. | | |
| | | (332,535) |
| Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. | | |
| | | 332,535 |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | (6,622) |
| An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. | | |
| | | (172,800) |
| Change in net position of governmental activities | \$ | 679,381 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 2,604,496 | \$ 2,607,890 | \$ 2,563,660 | \$ (44,230) |
| Tuition | 147,555 | 147,747 | 145,241 | (2,506) |
| Earnings on investments | 9,576 | 9,663 | 9,426 | (237) |
| Classroom materials and fees | 2,890 | 2,894 | 2,845 | (49) |
| Rental income | 3,581 | 3,586 | 3,525 | (61) |
| Other local revenues | 17,137 | 17,149 | 16,868 | (281) |
| Intergovernmental - state | 2,780,130 | 2,783,752 | 2,736,540 | (47,212) |
| Total revenues | 5,565,365 | 5,572,680 | 5,478,105 | (94,575) |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 369,211 | 369,870 | 365,839 | 4,031 |
| Special | 323,472 | 322,188 | 320,518 | 1,670 |
| Vocational | 2,536,352 | 2,571,937 | 2,511,927 | 60,010 |
| Adult/continuing | 53,200 | 52,714 | 52,714 | - |
| Other | 31,374 | 26,511 | 25,043 | 1,468 |
| Support services: | | | | |
| Pupil | 201,513 | 200,325 | 199,673 | 652 |
| Instructional staff | 23,567 | 24,923 | 23,352 | 1,571 |
| Board of education | 65,481 | 56,765 | 54,479 | 2,286 |
| Administration | 704,424 | 705,202 | 697,991 | 7,211 |
| Fiscal | 313,956 | 310,445 | 310,033 | 412 |
| Business | 2,261 | 2,240 | 2,240 | - |
| Operations and maintenance | 498,103 | 499,317 | 491,744 | 7,573 |
| Pupil transportation | 3,924 | 8,117 | 3,888 | 4,229 |
| Central | 92,086 | 94,284 | 91,038 | 3,246 |
| Extracurricular activities | 18,134 | 17,968 | 17,968 | - |
| Total expenditures | 5,237,058 | 5,262,806 | 5,168,447 | 94,359 |
| Excess of revenues over expenditures | 328,307 | 309,874 | 309,658 | (216) |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | - | 25,969 | 25,969 | - |
| Transfers (out) | - | (20,266) | (20,266) | - |
| Advances in | - | 44,274 | 44,274 | - |
| Sale of capital assets | - | 16,956 | 16,956 | - |
| Total other financing sources (uses) | - | 66,933 | 66,933 | - |
| Net change in fund balance | 328,307 | 376,807 | 376,591 | (216) |
| Fund balance at beginning of year | 4,238,366 | 4,238,366 | 4,238,366 | - |
| Prior year encumbrances appropriated | 20,978 | 20,978 | 20,978 | - |
| Fund balance at end of year | \$ 4,587,651 | \$ 4,636,151 | \$ 4,635,935 | \$ (216) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ADULT EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Tuition | \$ 791,026 | \$ 423,687 | \$ 545,345 | \$ 121,658 |
| Classroom materials and fees | 121,484 | 67,709 | 83,753 | 16,044 |
| Contributions and donations | 973 | 916 | 671 | (245) |
| Other local revenues | 1,284 | 687 | 885 | 198 |
| Intergovernmental - state | 549,086 | 310,987 | 378,548 | 67,561 |
| Total revenue | 1,463,853 | 803,986 | 1,009,202 | 205,216 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Adult/continuing | 1,347,729 | 963,537 | 963,541 | (4) |
| Support Services: | | | | |
| Administration | 186,798 | 133,275 | 136,420 | (3,145) |
| Operations and maintenance | 25,808 | 21,557 | 19,648 | 1,909 |
| Central | 23,381 | 17,918 | 16,682 | 1,236 |
| Total expenditures | 1,583,716 | 1,136,287 | 1,136,291 | (4) |
| Excess of revenues (under) expenditures | (119,863) | (332,301) | (127,089) | 205,212 |
| Other financing sources: | | | | |
| Refund of prior year's expenditures | - | 6,725 | 6,725 | - |
| Total other financing sources | - | 6,725 | 6,725 | - |
| Net change in fund balance | (119,863) | (325,576) | (120,364) | 205,212 |
| Fund balance at beginning of year | 776,224 | 776,224 | 776,224 | - |
| Prior year encumbrances appropriated | 22,066 | 22,066 | 22,066 | - |
| Fund balance at end of year | \$ 678,427 | \$ 472,714 | \$ 677,926 | \$ 205,212 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015**

| | <u>Governmental Activities - Internal Service Fund</u> |
|----------------------------------|---|
| Assets: | |
| Cash with fiscal agent | \$ 537,375 |
| Total assets. | <u>537,375</u> |
| Liabilities: | |
| Claims payable | <u>96,643</u> |
| Total liabilities | <u>96,643</u> |
| Net position: | |
| Unrestricted. | <u>440,732</u> |
| Total net position. | <u><u>\$ 440,732</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Governmental Activities - Internal Service Fund</u> |
|---|---|
| Operating revenues: | |
| Charges for services | \$ 805,457 |
| Total operating revenues | <u>805,457</u> |
| Operating expenses: | |
| Other. | 1,312 |
| Claims | 981,633 |
| Total operating expenses. | <u>982,945</u> |
| Operating loss | <u>(177,488)</u> |
| Nonoperating revenues: | |
| Interest revenue | 4,688 |
| Total nonoperating revenues. | <u>4,688</u> |
| Change in net position | (172,800) |
| Net position at beginning of year. | <u>613,532</u> |
| Net position at end of year | <u><u>\$ 440,732</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Governmental Activities - Internal Service Fund |
|---|--|
| Cash flows from operating activities: | |
| Cash received from other operations | \$ 805,457 |
| Cash payments for claims | (970,006) |
| Cash payments for other expenses | (9,280) |
| | (173,829) |
| Cash flows from investing activities: | |
| Interest received | 4,688 |
| | 4,688 |
| Net cash provided by investing activities | 4,688 |
| Net decrease in cash and cash equivalents | (169,141) |
| Cash and cash equivalents at beginning of year . . . | 706,516 |
| Cash and cash equivalents at end of year | \$ 537,375 |
| | 537,375 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (177,488) |
| Changes in assets and liabilities: | |
| Increase in claims payable. | 3,659 |
| | 3,659 |
| Net cash used in operating activities. | \$ (173,829) |
| | (173,829) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

| | Private Purpose Trust | |
|---|------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$ 24,962 | \$ 47,237 |
| Total assets. | 24,962 | \$ 47,237 |
| Liabilities: | | |
| Due to students. | - | \$ 47,237 |
| Total liabilities | - | \$ 47,237 |
| Net position: | | |
| Held in trust for scholarships | 24,962 | |
| Total net position. | \$ 24,962 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Private Purpose Trust |
|--|----------------------------------|
| | Scholarship |
| Additions: | |
| Interest | \$ 28 |
| Gifts and contributions | 500 |
| Total additions | 528 |
| Deductions: | |
| Scholarships awarded | 2,313 |
| Change in net position | (1,785) |
| Net position at beginning of year | 26,747 |
| Net position at end of year | \$ 24,962 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Ashland County-West Holmes Joint Vocational School District, Ashland County, (the "District") is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District, as defined by Section 3311.18 of the Ohio Revised Code, is responsible for providing public education to residents of the member Districts. The District is directed by an appointed nine-member Board of Education appointed by participating Districts.

The District serves an area of approximately 777 square miles with an enrollment of 303 students. The District employed 9 administrative and supervisory personnel, 61 certified employees (full-time and part-time) and 23 non-certificated employees (full-time and part-time).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-County Computer Services Association

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based upon per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. The Ashland County-West Holmes Joint Vocational School District paid \$32,640 to the Midland Council of Governments, which serves as fiscal agent, during fiscal year 2015 for services. Financial information can be obtained by contacting the Treasurer at the Midland Council of Governments located in Wooster, Ohio.

INSURANCE POOL

Jefferson Health Plan Self-Insurance Plan

The District participates in the Jefferson Health Plan (JHP) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the JHP's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. The Ashland County-West Holmes Joint Vocational School District paid \$39,179 to JHP during fiscal year 2015 for services. All participating members retain their risk and the Plan acts as the claims servicing agent.

B. Basis of Presentation and Measurement Focus

The District's basic financial statements consist of government-wide financial 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

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

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

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

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

Permanent Improvement fund - The permanent improvement capital projects fund receives property taxes for acquisition, construction, or improvement of capital facilities and purchase of textbooks and other instructional materials.

Adult Education fund - The adult education special revenue fund accounts for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from patrons and students and reimbursements from the State Department of Education. Expenditures include supplies, salaries and textbooks.

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

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund:

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's trust funds are private purpose trusts which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, tuition, grants, student fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

All funds, other than agency funds, 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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require resolution of the Board of Education. The Treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds, excluding the internal service fund, are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

During fiscal year 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2015 amounted to \$9,426, which includes \$2,207 assigned from other District funds.

The District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the District's central bank account and reported as cash with fiscal agent. The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

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

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

G. Prepayments

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

At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

H. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis. Inventory is recorded as an expenditure/expense when used.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of resale supplies and donated and purchased food.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

I. Capital Assets

All of the District's capital assets are general capital assets resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date donated. The District's capitalization threshold is \$5,000. 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.

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

| Description | Estimated Lives |
|-------------------------------------|-----------------|
| Land Improvements | 5 - 10 years |
| Buildings and Building Improvements | 10 - 50 years |
| Infrastructure | 50 years |
| Furniture and Equipment | 5 - 20 years |
| Vehicles | 5 - 20 years |

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column of the statement of net position. At June 30, 2015, there were no interfund balances.

K. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences."

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employee will be paid.

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund 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, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as liabilities on the fund financial statements when due.

M. Interfund Activity

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

Interfund activities between governmental funds are eliminated in the statement of activities.

During fiscal year 2015, there were no transfers.

N. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

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

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

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

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

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for adult education.

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Q. Estimates

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

R. Pensions

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 11 to the financial statements, and added required supplementary information which is presented on pages 63 - 69.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

| | Governmental Activities |
|--|----------------------------|
| Net position as previously reported | \$ 10,632,837 |
| Deferred outflows - payments subsequent to measurement date | 494,596 |
| Net pension liability | (9,998,263) |
| Restated net position at July 1, 2014 | \$ 1,129,170 |

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|--------------------------------|----------------|
| Adult basic literary education | \$ 11,155 |
| Improving teacher quality | 867 |
| Career development | 104 |

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

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Note, 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the District had \$375 in cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

B. Funds Held by Fiscal Agent

The District participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year-end for the employee benefit self-insurance fund was \$537,375. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

C. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$6,504,757. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$6,347,242 of the District's bank balance of \$6,597,242 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2015, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturity</u> 6 months or less |
|------------------------|-------------------|---|
| STAR Ohio | \$ 41,765 | \$ 41,765 |

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|-------------------|-------------------|
| STAR Ohio | \$ 41,765 | 100.00 |

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

| | |
|---|---------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 6,504,757 |
| Investments | 41,765 |
| Cash with fiscal agent | 537,375 |
| Cash on hand | <u>375</u> |
| Total | <u>\$ 7,084,272</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 7,012,073 |
| Private-purpose trust funds | 24,962 |
| Agency funds | <u>47,237</u> |
| Total | <u>\$ 7,084,272</u> |

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from seven counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$157,877 in the general fund and \$75,311 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$486,908 in the general fund and \$76,430 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 5 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

| | 2014 Second Half Collections | | 2015 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 1,176,931,810 | 92.64 | \$ 1,219,800,480 | 92.48 |
| Public utility personal | <u>93,521,830</u> | <u>7.36</u> | <u>99,186,840</u> | <u>7.52</u> |
| Total | <u>\$ 1,270,453,640</u> | <u>100.00</u> | <u>\$ 1,318,987,320</u> | <u>100.00</u> |

NOTE 6 - RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

| | |
|-------------------|---------------------|
| Property taxes | \$ 3,139,312 |
| Accounts | 9,584 |
| Intergovernmental | <u>48,442</u> |
| Total | <u>\$ 3,197,338</u> |

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

| | Balance | | | Balance |
|---|---------------------|--------------------|-------------------|---------------------|
| | <u>06/30/14</u> | <u>Additions</u> | <u>Deductions</u> | <u>06/30/15</u> |
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 50,000 | \$ - | \$ - | \$ 50,000 |
| Total capital assets, not being depreciated | <u>50,000</u> | <u>-</u> | <u>-</u> | <u>50,000</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 154,681 | - | - | 154,681 |
| Buildings and building improvements | 8,761,946 | 57,752 | - | 8,819,698 |
| Infrastructure | 51,056 | - | - | 51,056 |
| Furniture and equipment | 1,876,572 | 216,531 | (41,112) | 2,051,991 |
| Vehicles | 20,508 | - | - | 20,508 |
| Total capital assets, being depreciated | <u>10,864,763</u> | <u>274,283</u> | <u>(41,112)</u> | <u>11,097,934</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (131,440) | (880) | - | (132,320) |
| Buildings and improvements | (4,754,120) | (177,047) | - | (4,931,167) |
| Infrastructure | (42,971) | (1,021) | - | (43,992) |
| Furniture and equipment | (1,066,038) | (112,106) | 41,112 | (1,137,032) |
| Vehicles | (7,457) | (2,330) | - | (9,787) |
| Total accumulated depreciation | <u>(6,002,026)</u> | <u>(293,384)</u> | <u>41,112</u> | <u>(6,254,298)</u> |
| Governmental activities capital assets, net | <u>\$ 4,912,737</u> | <u>\$ (19,101)</u> | <u>\$ -</u> | <u>\$ 4,893,636</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 36,957 |
| Special | 1,038 |
| Vocational | 196,490 |
| Adult/Continuing | 12,590 |
| <u>Support services:</u> | |
| Administration | 8,970 |
| Operations and maintenance | 33,998 |
| Pupil transportation | 2,330 |
| Food service operations | <u>1,011</u> |
| Total depreciation expense | <u>\$ 293,384</u> |

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the District entered into a capitalized lease with U.S. Bank Equipment Financing for copier equipment. This lease agreement meets the criteria of a capital lease that a capital lease generally transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copier equipment have been capitalized in the amount of \$63,370. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2015 was \$19,011 leaving a current book value of \$44,359. Principal and interest payments for the capital lease in fiscal year 2015 totaled \$12,001 and \$1,681, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2015:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2016 | \$ 13,682 |
| 2017 | 13,682 |
| 2018 | 13,682 |
| 2019 | <u>11,402</u> |
| Total minimum lease payments | 52,448 |
| Less amount representing interest | <u>(2,961)</u> |
| Total | <u>\$ 49,487</u> |

NOTE 9 - LONG-TERM OBLIGATIONS

On July 15, 2005, the District issued \$527,619 of energy conservation bonds for the purpose of acquiring and installing energy conservation improvements. The bonds mature on July 15, 2020 and carry an interest rate of 4 percent.

On August 1, 2007, the District issued \$668,781 of energy conservation bonds for the purpose of additional energy conservation improvements. The bonds mature on July 1, 2020 and carry an interest rate of 4.67 percent.

On February 24, 2015, the District issued energy conservation refunding bonds to refund the 2007 series energy conservation bonds. The issuance proceeds of \$332,535 were used to purchase securities which were placed in an irrevocable trust to provided resources for future debt service payments on the refunded debt. The refunding issue comprised of energy conservation bonds, par value \$332,535. The average interest rate on the bonds is 2.72 percent and mature on February 24, 2018.

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ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Long-term liabilities at June 30, 2014 have been restated to include the net pension liability (See Note 3.A. for detail). The changes in the District's long-term obligations during the fiscal year were as follows:

| | (Restated) | | | | |
|--|-----------------------------|--------------------------|------------------------------|----------------------------|--------------------------|
| | Balance | | | Balance | Due Within |
| | <u>6/30/2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>6/30/2015</u> | <u>One Year</u> |
| HB264, Energy Conservation Improvement Bond, 4% interest rate, due 7/15/2020 | \$ 258,477 | \$ - | \$ (37,160) | \$ 221,317 | \$ 38,669 |
| HB264, Energy Conservation Improvement Bond, 4.67% interest rate, due 7/1/2020 | 363,149 | - | (363,149) | - | - |
| HB264, Energy Conservation Improvement Bond Refunding, 2.72% interest rate | - | 332,535 | (35,647) | 296,888 | 108,776 |
| Capital lease obligations | 61,488 | - | (12,001) | 49,487 | 12,376 |
| Net Pension Liability | 9,998,263 | - | (1,585,631) | 8,412,632 | - |
| Compensated Absences | <u>383,304</u> | <u>112,731</u> | <u>(106,109)</u> | <u>389,926</u> | <u>73,407</u> |
| Total | <u>\$ 11,064,681</u> | <u>\$ 445,266</u> | <u>\$ (2,139,697)</u> | <u>\$ 9,370,250</u> | <u>\$ 233,228</u> |

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2015, are as follows:

| Fiscal Year Ending | Energy Conservation Improvement Phase I General Obligation Bonds | | | Energy Conservation Improvement Phase II - Refunding General Obligation Bonds | | |
|--------------------|--|-------------------------|--------------------------|---|-------------------------|--------------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| June 30 | | | | | | |
| 2016 | \$ 38,669 | \$ 8,277 | \$ 46,946 | \$ 108,776 | \$ 6,839 | \$ 115,615 |
| 2017 | 40,239 | 6,707 | 46,946 | 111,831 | 3,784 | 115,615 |
| 2018 | 41,873 | 5,073 | 46,946 | 76,281 | 794 | 77,075 |
| 2019 | 43,573 | 3,373 | 46,946 | - | - | - |
| 2020 | 45,342 | 1,604 | 46,946 | - | - | - |
| 2021 | <u>11,621</u> | <u>118</u> | <u>11,739</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 221,317</u> | <u>\$ 25,152</u> | <u>\$ 246,469</u> | <u>\$ 296,888</u> | <u>\$ 11,417</u> | <u>\$ 308,305</u> |

The bonds will be repaid with tax revenue from the permanent improvement fund. Compensated absences will be paid from the adult education fund for employees whose salaries are paid from that fund. All other severance payments are paid from the termination benefits fund. In the event the food service fund has funds available, severance payments are made from that fund, otherwise, they are paid from the termination benefits fund. Accrued vacation leave will be paid from the fund from which the employee wages are paid.

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ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$118,190,654 and an unvoted debt margin of \$1,318,987.

NOTE 10 - RISK MANAGEMENT

A. General Insurance

The 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. The District has a comprehensive property and casualty policy with a deductible of \$250 per incident on property and equipment. The District's comprehensive property and casualty policy aggregate limit is approximately \$26,937,975. The District's vehicle insurance policy limit is \$15,000,000 with no collision deductible for automobiles or buses. All board members, administrators, and employees are covered under a District liability policy.

Additionally, the District carries a \$15,000,000 Educational Liability Policy. The limits of this coverage are \$15,000,000 per occurrence and in aggregate. An Excess Liability policy brings total liability coverage to \$17,000,000. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Fidelity Bond

The Board President and Superintendent have a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$50,000. The District's Assistant Treasurer has a bond in the amount of \$20,000. In addition, the District is covered by a blanket Public Employee Dishonesty Policy in the amount of \$100,000.

C. Workers' Compensation

The District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 Districts. The purchasing pool is administered by CompManagement, Inc.

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ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 10 - RISK MANAGEMENT - (Continued)

D. Employee Health Insurance

The District is self-insured for its medical, dental, vision and life insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$35,000 per employee.

The claims liability of \$96,643 reported in the internal service fund at June 30, 2015 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability for 2014 and 2015 are listed below:

| | <u>Balance at Beginning of Year</u> | <u>Current Claims</u> | <u>Claims Payment</u> | <u>Balance at End of Year</u> |
|------|---|---------------------------|---------------------------|-----------------------------------|
| 2015 | \$ 92,984 | \$ 986,604 | \$ (982,945) | \$ 96,643 |
| 2014 | 99,899 | 858,865 | (865,780) | 92,984 |

NOTE 11 - 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 District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org 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 after August 1, 2017 |
|------------------------------|---|--|
| Full Benefits | Any age with 30 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 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 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$109,346 for fiscal year 2015. Of this amount, \$31,480 is reported as pension and postemployment benefits payable at June 30, 2015.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$426,458 for fiscal year 2015. Of this amount, \$47,116 is reported as pension and postemployment benefits payable at June 30, 2015.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | SERS | STRS | Total |
|--|--------------|--------------|--------------|
| Proportionate share of the net pension liability | \$ 1,409,776 | \$ 7,002,856 | \$ 8,412,632 |
| Proportion of the net pension liability | 0.02785600% | 0.02879054% | |
| Pension expense | \$ 82,269 | \$ 271,645 | \$ 353,914 |

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------|---------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 11,999 | \$ 67,418 | \$ 79,417 |
| District contributions subsequent to the measurement date | <u>109,346</u> | <u>426,458</u> | <u>535,804</u> |
| Total deferred outflows of resources | <u>\$ 121,345</u> | <u>\$ 493,876</u> | <u>\$ 615,221</u> |
| Deferred inflows of resources | | | |
| Net difference between projected and actual earnings on pension plan investments | <u>\$ 228,811</u> | <u>\$ 1,295,555</u> | <u>\$ 1,524,366</u> |
| Total deferred inflows of resources | <u>\$ 228,811</u> | <u>\$ 1,295,555</u> | <u>\$ 1,524,366</u> |

\$535,804 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------|-----------------------|-----------------------|
| Fiscal Year Ending June 30: | | | |
| 2016 | \$ (54,203) | \$ (307,034) | \$ (361,237) |
| 2017 | (54,203) | (307,034) | (361,237) |
| 2018 | (54,203) | (307,034) | (361,237) |
| 2019 | <u>(54,203)</u> | <u>(307,035)</u> | <u>(361,238)</u> |
| Total | <u>\$ (216,812)</u> | <u>\$ (1,228,137)</u> | <u>\$ (1,444,949)</u> |

Actuarial Assumptions - SERS

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

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.

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ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

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

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

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

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 2,011,332 | \$ 1,409,776 | \$ 903,816 |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$ 10,025,351 | \$ 7,002,856 | \$ 4,446,841 |

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$14,243.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$6,803, \$13,900, and \$13,940, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$29,728, and \$30,485 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

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

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

| | <u>General fund</u> | <u>Adult Education</u> |
|---|---------------------|------------------------|
| Budget basis | \$ 376,591 | \$ (120,365) |
| Net adjustment for revenue accruals | 935 | 7,147 |
| Net adjustment for expenditure accruals | 27,443 | 781 |
| Net adjustment for other sources/uses | (42,925) | (6,724) |
| Funds budgeted elsewhere | 15,640 | - |
| Adjustment for encumbrances | <u>34,069</u> | <u>6,354</u> |
| GAAP basis | <u>\$ 411,753</u> | <u>\$ (112,807)</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the uniform schools supplies fund, public school support fund, termination benefits fund and the community services fund. In addition, the unclaimed monies fund is legally budgeted as a separate private-purpose trust fund but is considered part of the general fund on a GAAP basis.

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the basic financial statements.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 14 – CONTINGENCIES - (Continued)

C. School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2014 | \$ - |
| Current year set-aside requirement | 51,965 |
| Current year offsets | <u>(476,768)</u> |
| Total | <u>\$ (424,803)</u> |
| Balance carried forward to fiscal year 2016 | <u>\$ -</u> |
| Set-aside balance June 30, 2015 | <u>\$ -</u> |

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 16 - OTHER COMMITMENTS

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

| | Year-End |
|-----------------------|---------------------|
| <u>Fund</u> | <u>Encumbrances</u> |
| General fund | \$ 30,782 |
| Permanent improvement | 21,761 |
| Adult education | 5,138 |
| Nonmajor governmental | <u>34,401</u> |
| | |
| Total | <u>\$ 92,082</u> |

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

| | 2014 | 2013 |
|---|--------------|--------------|
| District's proportion of the net pension liability | 0.02785600% | 0.02785600% |
| District's proportionate share of the net pension liability | \$ 1,409,776 | \$ 1,656,507 |
| District's covered-employee payroll | \$ 809,437 | \$ 856,236 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 174.17% | 193.46% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.70% | 65.52% |

Note: Information prior to fiscal year 2013 was unavailable.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

| | 2014 | 2013 |
|---|--------------|--------------|
| District's proportion of the net pension liability | 0.02879054% | 0.02879054% |
| District's proportionate share of the net pension liability | \$ 7,002,856 | \$ 8,341,756 |
| District's covered-employee payroll | \$ 2,941,600 | \$ 3,048,454 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 238.06% | 273.64% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.70% | 69.30% |

Note: Information prior to fiscal year 2013 was unavailable.

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**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 109,346 | \$ 112,188 | \$ 118,503 | \$ 141,241 |
| Contributions in relation to the contractually required contribution | <u>(109,346)</u> | <u>(112,188)</u> | <u>(118,503)</u> | <u>(141,241)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 829,636 | \$ 809,437 | \$ 856,236 | \$ 1,050,119 |
| Contributions as a percentage of covered-employee payroll | 13.18% | 13.86% | 13.84% | 13.45% |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|-----------------|-----------------|------------------|-----------------|
| \$ 114,150 | \$ 118,617 | \$ 93,457 | \$ 78,861 | \$ 103,365 | \$ 94,639 |
| <u>(114,150)</u> | <u>(118,617)</u> | <u>(93,457)</u> | <u>(78,861)</u> | <u>(103,365)</u> | <u>(94,639)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 908,115 | \$ 876,049 | \$ 949,766 | \$ 803,065 | \$ 967,837 | \$ 894,509 |
| 12.57% | 13.54% | 9.84% | 9.82% | 10.68% | 10.58% |

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 426,458 | \$ 382,408 | \$ 396,299 | \$ 443,113 |
| Contributions in relation to the contractually required contribution | <u>(426,458)</u> | <u>(382,408)</u> | <u>(396,299)</u> | <u>(443,113)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 3,046,129 | \$ 2,941,600 | \$ 3,048,454 | \$ 3,408,562 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 13.00% | 13.00% | 13.00% |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 442,105 | \$ 440,703 | \$ 423,322 | \$ 410,594 | \$ 428,261 | \$ 419,446 |
| <u>(442,105)</u> | <u>(440,703)</u> | <u>(423,322)</u> | <u>(410,594)</u> | <u>(428,261)</u> | <u>(419,446)</u> |
| <u>\$ -</u> |
| \$ 3,400,808 | \$ 3,390,023 | \$ 3,256,323 | \$ 3,158,415 | \$ 3,294,315 | \$ 3,226,508 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Receipts | Expenditures |
|---|------------------------------------|--------------------------|--------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| <i>Passed Through the Ohio Department of Education</i> | | | |
| Child Nutrition Cluster: | | | |
| Non-Cash Assistance (Food Distribution) | | | |
| National School Lunch Program | 10.555 | \$ 5,918 | \$ 5,918 |
| Cash Assistance | | | |
| School Breakfast Program | 10.553 | 15,549 | 15,549 |
| National School Lunch Program | 10.555 | <u>56,689</u> | <u>56,689</u> |
| Total Child Nutrition Cluster | | <u>78,156</u> | <u>78,156</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | <u>78,156</u> | <u>78,156</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| <i>Direct Program</i> | | | |
| Student Financial Assistance Cluster: | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | 5,000 | 5,000 |
| Federal Pell Grant Program | 84.063 | 238,842 | 238,842 |
| Federal Direct Student Loans | 84.268 | <u>281,240</u> | <u>281,240</u> |
| Total Student Financial Assistance Cluster | | 525,082 | 525,082 |
| Rural Education | 84.358A | 30,648 | 30,648 |
| <i>Passed Through the Ohio Department of Education</i> | | | |
| Adult Education - Basic Grants to States | 84.002 | 52,713 | 52,713 |
| Career and Technical Education - Basic Grants to States | 84.048 | 166,815 | 150,187 |
| Improving Teacher Quality State Grants | 84.367 | 984 | 1,430 |
| <i>Passed Through the Lorain County Joint Vocational School</i> | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | <u>63,470</u> | <u>63,470</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | <u>839,712</u> | <u>823,530</u> |
| TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES | | <u>\$ 917,868</u> | <u>\$ 901,686</u> |

The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Ashland County-West Holmes Joint Vocational School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Ashland County-West Holmes Joint Vocational School District
Ashland County
1783 State Route 60
Ashland, Ohio 44805

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashland County-West Holmes Joint Vocational School District, Ashland County, Ohio, (the District) as of and for the year ended June 30, 2015, 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 7, 2015, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ashland County-West Holmes Joint Vocational School District
Ashland County
1783 State Route 60
Ashland, Ohio 44805

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Ashland County-West Holmes Joint Vocational School District's, Ashland County, Ohio, (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Ashland County-West Holmes Joint Vocational School District, Ashland County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2015

**ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | CFDA #84.048 – Career and Technical Education – Basic Grants to States <u>Child Nutrition Cluster</u> CFDA #10.555 – National School Lunch Program CFDA #10.553 – School Breakfast Program |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

ASHLAND COUNTY WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2015**