



Dave Yost • Auditor of State



**WARREN COUNTY CAREER CENTER  
WARREN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Warren County Career Center  
Warren County  
3529 N. State Route 48  
Lebanon, Ohio 45036

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren County Career Center, Warren County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School 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, the business-type activities, each major fund, and the aggregate remaining fund information of Warren County Career Center, Warren 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 Government 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 School 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 schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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, these schedules are 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 January 6, 2016, on our consideration of the School 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 School 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

January 6, 2016

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**WARREN COUNTY CAREER CENTER  
WARREN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

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

***Financial Highlights***

Key financial highlights for 2015 are as follows:

- Governmental total assets plus deferred outflows exceeded total liabilities plus deferred inflows at the close of the most recent fiscal year by \$1.14 million for governmental activities. Excluding the related GASB 68 pension items, the governmental net position was \$23.51 million.
- Governmental general revenues accounted for \$16.83 million in revenue or 80.65 percent of all revenues. Program specific revenues in charges for services and grants and contributions accounted for \$4.04 million or 19.35 percent of \$20.87 million in total revenue.
- The business-type activities were financed through programs revenues of \$0.15 million resulting in year end net position of \$0.25 million.
- At the end of the current fiscal year, cash and cash equivalents of \$15.06 million accounted for 64.89 percent of total assets, excluding capital assets, a decrease of over twenty percent from last year's amount mainly as a result of the School District paying off the certificates of participation.
- The School District had \$18.10 million in expenses relating to governmental activities; only \$4.04 million of these expenses were offset by program specific revenues. General revenues and net position were adequate to cover the \$14.06 million net expense of governmental programs.
- Among major funds, the general fund had \$17.45 million in revenues and \$13.64 million in expenditures. The general fund's balance at the close of the current year was 96.07 percent of the current year's expenditures.

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*Overview of the Financial Statements*

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all the School District's assets, deferred outflows, liabilities and deferred inflows, with the difference between the four reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general instruction of secondary students and the associated support for those services. The business-type activities include general customer services for the School District. The government-wide financial statements can be found on pages 17-18 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into three categories: governmental, proprietary and fiduciary funds.

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*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The School District reports on fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general, adult education and permanent improvement funds, which are considered major funds. Data from the other twelve governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 19-22 of this report.

*Proprietary Funds.* The School District maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School District uses enterprise funds to account for its customer service. The proprietary fund statements can be found on pages 23-26.

*Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 27 of this report.

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*Notes to the Financial Statement.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 28 of this report.

***Government-Wide Financial Analysis***

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net position for 2014 to 2015.

*Table 1  
Net Position*

	<i>Governmental Activities</i>			<i>Business-Type Activities</i>		
	<i>(In millions)</i>					
	Restated 2014	2015	Change	2014	2015	Change
<b>Assets</b>						
Current and Other Assets	\$27.48	\$22.96	(\$4.52)	\$226,712	\$249,943	\$23,231
Capital Assets	8.90	8.51	(0.39)	4,157	3,731	(426)
<i>Total Assets</i>	<u>36.38</u>	<u>31.47</u>	<u>(4.91)</u>	<u>230,869</u>	<u>253,674</u>	<u>22,805</u>
<b>Deferred Outflows</b>						
Pension	1.24	1.47	0.23	0	0	0
<b>Liabilities</b>						
Net Pension Liability	23.97	20.17	(3.80)	0	0	0
Long-Term Liabilities	6.09	0.89	(5.20)	0	0	0
Other Liabilities	1.21	1.15	(0.06)	10,219	7,880	(2,339)
<i>Total Liabilities</i>	<u>31.27</u>	<u>22.21</u>	<u>(9.06)</u>	<u>10,219</u>	<u>7,880</u>	<u>(2,339)</u>
<b>Deferred Inflows</b>						
Pension	0	3.68	3.68	0	0	0
Property Taxes	7.99	5.91	(2.08)	0	0	0
<i>Total Deferred Inflows</i>	<u>7.99</u>	<u>9.59</u>	<u>1.60</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Position</b>						
Net Investment in Capital Assets	3.16	7.90	4.74	4,157	3,731	(426)
Restricted	6.97	2.55	(4.42)	0	0	0
Unrestricted	(11.77)	(9.31)	2.46	216,493	242,063	25,570
<i>Total Net Position</i>	<u>(\$1.64)</u>	<u>\$1.14</u>	<u>\$2.78</u>	<u>\$220,650</u>	<u>\$245,794</u>	<u>\$25,144</u>

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During 2015, the School 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 School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the School 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 School 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.

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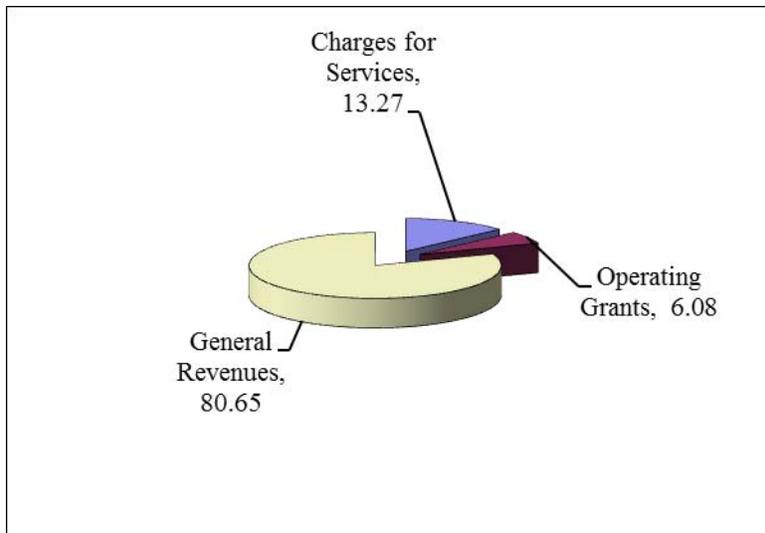
Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution 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 School 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 School 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 \$21,093,883 to (\$1,638,381).

Other than the pension items, the School District saw the current assets for governmental activities decreased over sixteen percent as the School District retired the certificates of participation using the cash balance. This is also why the long-term liabilities decreased significantly between the two years.

Graph 1 breaks down the School District's governmental activities revenues into percentages by type of revenue.



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Table 2 details the actual revenue amounts (in thousands) for the School District as a whole from 2014 to 2015.

	Governmental Activities		Business-Type Activities	
	2014	2015	2014	2015
<b>Program Revenues</b>				
Charges for Services	\$2,754	\$2,771	\$161	\$148
Operating Grants And Contributions	1,230	1,270	0	0
<b>Total Program Revenues</b>	3,984	4,041	161	148
<b>General Revenues</b>				
Property Taxes	6,770	9,800	0	0
Payment in Lieu of Taxes	23	91	0	0
Unrestricted Grants and Contributions	6,199	6,528	0	0
Investment Earnings	185	132	0	0
Miscellaneous	205	282	0	0
<b>Total General Revenues</b>	13,382	16,833	0	0
<b>All Revenues</b>	\$17,366	\$20,874	\$161	\$148

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Table 3 compares total program expenses from fiscal year 2014 to 2015.

*Table 3  
(in thousands)*

	Governmental Activities		Business-Type Activities	
	2014	2015	2014	2015
<b>Program Expenses</b>				
<i>Instruction:</i>				
Special	\$177	\$190	\$0	\$0
Vocational	7,603	7,922	0	0
Adult/Continuing	1,886	1,804	0	0
<i>Support Services:</i>				
Pupils	1,057	1,131	0	0
Instructional Staff	1,071	1,003	0	0
Board of Education	24	24	0	0
Administration	1,822	1,754	0	0
Fiscal	585	513	0	0
Business	28	25	0	0
Operation and Maintenance	1,387	1,316	0	0
Pupil Transportation	244	193	0	0
Central	1,221	1,253	0	0
Food Service	392	347	0	0
Extracurricular Activities	80	79	0	0
Rotary	0	0	138	123
Interest and Fiscal Charges	232	543	0	0
Total Expenses	17,809	18,097	138	123
Change in Net Position	(443)	2,777	23	25
Beginning Net Position	21,537	21,094	198	221
Restatement	0	(22,732)	0	0
Ending Net Position	\$21,094	\$1,139	\$221	\$246

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The School District saw a \$3.03 million increase in property taxes revenue resulting from \$1.6 million more in advances available to the School District at 2015 year end compared to the current year resulting in greater revenue recognition as required by generally accepted accounting principles. The School District also had a large advance for fiscal year 2013. These items coupled together make the fiscal year 2014 amount appear low. On a cash basis, the actual collections were virtually the same between fiscal years. The School District saw the unrestricted grants and contributions increase as the amount of state foundation revenue increased \$514,642 between the years.

The School District did see expenses increase from fiscal year 2014. There were no major increases in the particular line items. The School District did remove \$1,271,860 of expenses for contractually required pension contributions but brought on \$970,608 of allocated pension expense from the retirement systems. This accounts for a reduction in expenses of \$301,252. This reduction in expenses was offset by increased non-pension related expenses, including a \$311 thousand increase in interest and fiscal charges. The increase in 2015 revenues resulted in an increase in the net position of \$2.8 million putting the School District in a better financial position than fiscal year 2014.

***The Major Funds***

The School District's major funds start on page 19 for governmental funds. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the School District. The major funds account for 95.27% of the \$20.92 million in total revenue and 94.19% percent of the \$18.26 million in total expenditures. The general fund received the majority of the revenues from property taxes and intergovernmental revenues. Revenues were greater than expenditures in the general fund although the School District transferred \$1.49 million to other funds resulting in a year end fund balance of \$13.10 million. The adult education fund received a majority of the revenues from charges for services or fees and saw expenditures exceed revenues resulting in a year end balance of \$0.12 million. The permanent improvement fund qualifies as a major fund with almost \$2.00 million in cash and investments (assets).

The general fund recognized \$0.98 million in current liabilities for fiscal year 2015. Accrued salaries and benefits accounted for 72.82% of those liabilities. The general fund increased the cash balance to \$11.83 million, which accounted for 79.95% of total School District governmental funds cash balance.

One of the School District's express purposes is to service the adult community through various programs. The School District served over 5,123 adult students in 2015 although some took multiple classes which are not reported independently. With \$2.84 million in expenditures, the adult education fund is second behind only the general fund in expenditures that the School District incurs on an annual basis.

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***General Fund Budgetary***

Graph 3 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2015.

*Graph 3  
Original Budget versus Final Budget for General Fund*

	Budget	
	Original	Final
<b><u>Revenues:</u></b>		
Property Taxes	\$8,020	\$8,242
Intergovernmental	6,619	6,574
Other	703	891
Total Revenues	15,342	15,707
 <b><u>Expenditures:</u></b>		
Current:		
Instruction	7,725	7,664
Support Services	6,139	5,593
Other	525	408
Total Expenditures	14,389	13,665

The School District saw a slight increase in property taxes as the valuations for the School District increased from new construction. The increase in state foundation revenue was offset by the School District losing other state shared revenues that have been phased out.

Final budgeted expenditures were lower by about five percent from the original budgeted expenditures. Most of the line items all decreased with focused reductions in the support services areas. The School District was able to better determine the final expenses and able to reduce budgeted expenditures across the various departments.

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*Final Budget versus Actual Results*

The School District prepared the final budget towards the end of June 2015 when actual results were known. There is a slight difference in the final revenue amounts of \$3,378, which is for interest the School District received at the end of June. For actual expenditures to final budgeted amounts, the School District completed the final budget during the last week of June when the final expenditures amounts were known.

***Capital Assets***

During 2015, the School District saw a decrease of \$0.39 million invested in land, buildings, equipment, and vehicles (net capital assets). A schedule showing accumulated depreciation and the breakdown of current year depreciation can be found in note 9 of the financial statements. Table 4 shows the breakdown of the individual classes for capital assets with total accumulated depreciation presented separately.

*Table 4  
Capital Assets, net of depreciation*

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2014	2015	2014	2015	2014	2015	2014-15
Land	\$456,000	\$456,000	\$0	\$0	\$456,000	\$456,000	0.00%
Land Improvements	338,954	349,974	0	0	338,954	349,974	3.25%
Buildings and Improvements	16,081,104	16,081,104	8,530	8,530	16,089,634	16,089,634	0.00%
Furniture and Equipment	3,954,775	4,307,188	22,262	22,262	3,977,037	4,329,450	8.86%
Vehicles	747,410	730,582	0	0	747,410	730,582	2.26%
Accumulated Depreciation	(12,680,673)	(13,414,386)	(26,635)	(27,061)	(12,707,308)	(13,441,447)	5.78%
Total	\$8,897,570	\$8,510,462	\$4,157	\$3,731	\$8,901,727	\$8,514,193	(4.36%)

The School District saw a slight decrease in capital assets as depreciation exceeded additions for the year.

***Debt Administration***

The School District retired \$5.00 million on the certificates of participation. The School District saw a decrease on the capital lease obligation of \$0.02 million for 2015. The School District also paid \$0.07 million in energy conservation notes during the year. For further information on the School District's obligations refer to notes 14 and 15 of the financial statements.

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(UNAUDITED)**

*Other items impacting the financial strength of the School District*

Warren County will go through a complete sexennial reappraisal in the 2015 tax year to be collected in fiscal year 2016. A triennial reappraisal update occurred in tax year 2012 for collection in fiscal year 2013, which lowered assessed values by \$176.3 million or a decrease of 4.5%. The decrease was not nearly as large as many districts in Ohio which indicated our property values were not overstated. In 2016, our School District is expecting to increase slightly in terms of valuation changes as property values are starting to recover in our state. There is always some risk that the district could see valuation reduction but we do not anticipate that at this time. Local Property Tax Revenues account for 53% of School District General Fund Revenues (cash basis).

The State Budget represents nearly 41% of School District revenues, which means it is a significant area of risk to revenue. The risk comes in fiscal year 2018 and beyond if the state economy worsens or if the currently adopted House Bill 64 ("HB64") funding formula is changed to reduce funding to our School District in a future biennium budget. There are two future state biennium budgets covering the period from fiscal year 2018 through fiscal year 2020 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to School District funding long range through fiscal year 2020.

HB64, the new state budget, reinstates the phase out of School District tangible personal property (TPP) reimbursements, which had been promised under previous budget bills. HB64 begins the phase out in fiscal year 2016, which will continue to be phased out until it is eliminated unless a future state budget stops the phase out. The School District has estimated that this phase out will continue in our projections and fiscal year 2016 will be the last time the School District will receive the reimbursement.

*Request for Information*

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, Warren County Career Center, 3529 N. SR 48, Lebanon, Ohio 45036.

Treasurer  
Warren County Career Center

**Warren County Career Center**  
**Warren County, Ohio**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Equity in Pooled Cash and Investments	\$ 14,801,071	\$ 256,084	\$ 15,057,155
Receivables:			
Property and Other Taxes	7,920,489	0	7,920,489
Accounts	14,855	252	15,107
Accrued Interest	13,637	0	13,637
Intergovernmental	193,185	0	193,185
Materials and Supplies Inventory	6,088	0	6,088
Internal Balances	6,393	(6,393)	0
Nondepreciable Capital Assets	456,000	0	456,000
Depreciable Capital Assets	8,054,462	3,731	8,058,193
Total Assets	<u>31,466,180</u>	<u>253,674</u>	<u>31,719,854</u>
<b><u>Deferred Outflows</u></b>			
Pension	1,468,709	0	1,468,709
<b><u>Liabilities</u></b>			
Payables:			
Accounts	275,469	753	276,222
Intergovernmental	143,874	1,381	145,255
Interest	2,400	0	2,400
Salaries and Employee Benefits	724,295	5,746	730,041
Noncurrent Liabilities:			
Due within one year	233,306	0	233,306
Due in more than one year:			
Net Pension Liability	20,168,560	0	20,168,560
Other long term liabilities	658,835	0	658,835
Total Liabilities	<u>22,206,739</u>	<u>7,880</u>	<u>22,214,619</u>
<b><u>Deferred Inflows of Resources</u></b>			
Property Taxes	5,913,771	0	5,913,771
Pensions	3,675,405	0	3,675,405
Total Deferred Inflows of Resources	<u>9,589,176</u>	<u>0</u>	<u>9,589,176</u>
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	7,898,421	3,731	7,902,152
Restricted for:			
Grants	7,658	0	7,658
Capital Improvements	2,549,507	0	2,549,507
Unrestricted	(9,316,612)	242,063	(9,074,549)
Total Net Position	<u>\$ 1,138,974</u>	<u>\$ 245,794</u>	<u>\$ 1,384,768</u>

See accompanying notes to the basic financial statements

**Warren County Career Center  
Warren County, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2015**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>						
Instruction:						
Special	190,059	\$0	\$0	(\$190,059)	\$0	(\$190,059)
Vocational	7,922,321	1,704,070	532,144	(5,686,107)	0	(5,686,107)
Adult/Continuing	1,803,460	0	116,016	(1,687,444)	0	(1,687,444)
Support Services:						
Pupils	1,130,545	0	102,127	(1,028,418)	0	(1,028,418)
Instructional Staff	1,003,436	0	110,750	(892,686)	0	(892,686)
Board of Education	24,401	0	0	(24,401)	0	(24,401)
Administration	1,754,195	342,360	73,774	(1,338,061)	0	(1,338,061)
Fiscal	513,238	0	0	(513,238)	0	(513,238)
Business	25,080	0	0	(25,080)	0	(25,080)
Operation and Maintenance of Plant	1,315,687	48,306	0	(1,267,381)	0	(1,267,381)
Pupil Transportation	192,751	0	0	(192,751)	0	(192,751)
Central	1,252,648	523,610	199,551	(529,487)	0	(529,487)
Food Service	346,647	152,449	135,108	(59,090)	0	(59,090)
Extracurricular Activities	78,842	0	0	(78,842)	0	(78,842)
Interest and Fiscal Charges	543,834	0	0	(543,834)	0	(543,834)
Total Governmental Activities	<u>18,097,144</u>	<u>2,770,795</u>	<u>1,269,470</u>	<u>(14,056,879)</u>	<u>0</u>	<u>(14,056,879)</u>
<b>Business-Type Activities:</b>						
Customer Service	123,265	148,409	0	0	25,144	25,144
Total Business-Type Activities	<u>123,265</u>	<u>148,409</u>	<u>0</u>	<u>0</u>	<u>25,144</u>	<u>25,144</u>
Total Primary Government	<u>\$ 18,220,409</u>	<u>\$ 2,919,204</u>	<u>\$ 1,269,470</u>	<u>(14,056,879)</u>	<u>25,144</u>	<u>(14,031,735)</u>

<b>General Revenues:</b>			
Property Taxes	9,800,037	0	9,800,037
Payment in Lieu of Taxes	91,448	0	91,448
Grants and Contributions not restricted to specific programs	6,527,775	0	6,527,775
Unrestricted investment earnings	131,977	0	131,977
Miscellaneous	282,997	0	282,997
Total General Revenues	<u>16,834,234</u>	<u>0</u>	<u>16,834,234</u>
Changes in Net Position	2,777,355	25,144	2,802,499
Net Position-Beginning (Restated)	(1,638,381)	220,650	(1,417,731)
Net Position-Ending	<u>\$ 1,138,974</u>	<u>\$ 245,794</u>	<u>\$ 1,384,768</u>

See accompanying notes to the basic financial statements

**Warren County Career Center  
Warren County, Ohio  
Balance Sheet - Governmental Funds  
June 30, 2015**

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>					
Equity in Pooled Cash and Investments	\$ 11,833,040	\$ 390,041	\$ 1,996,687	\$ 581,303	\$ 14,801,071
Receivables:					
Property and Other Taxes	7,920,489	0	0	0	7,920,489
Accounts	291	0	0	14,564	14,855
Interfund	250,385	0	13,158	0	263,543
Accrued Interest	13,637	0	0	0	13,637
Intergovernmental	124,353	39,873	0	28,959	193,185
Materials and Supplies Inventory	0	0	0	6,088	6,088
<b>Total Assets</b>	<b>20,142,195</b>	<b>429,914</b>	<b>2,009,845</b>	<b>630,914</b>	<b>23,212,868</b>
<b><u>Liabilities, Deferred Inflows and Fund Balances</u></b>					
<b><u>Liabilities</u></b>					
Payables:					
Accounts	132,010	106,147	0	37,312	275,469
Due to Local Governments	124,103	12,965	0	6,806	143,874
Salaries and Employee Benefits	714,329	9,966	0	0	724,295
Interfund	0	181,086	0	76,064	257,150
Matured Leave Payable	10,509	0	0	0	10,509
<b>Total Liabilities</b>	<b>980,951</b>	<b>310,164</b>	<b>0</b>	<b>120,182</b>	<b>1,411,297</b>
<b><u>Deferred Inflows of Resources</u></b>					
Property Taxes	6,042,140	0	0	0	6,042,140
Revenue in Lieu of Taxes	19,731	0	0	0	19,731
<b>Total Deferred Inflows of Resources</b>	<b>6,061,871</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,061,871</b>
<b><u>Fund Balances</u></b>					
Nonspendable	0	0	0	6,088	6,088
Restricted	0	0	0	551,957	551,957
Assigned	381,869	119,750	2,009,845	0	2,511,464
Unassigned	12,717,504	0	0	(47,313)	12,670,191
<b>Total Fund Balances</b>	<b>13,099,373</b>	<b>119,750</b>	<b>2,009,845</b>	<b>510,732</b>	<b>15,739,700</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 20,142,195</b>	<b>\$ 429,914</b>	<b>\$ 2,009,845</b>	<b>\$ 630,914</b>	

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

Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	8,510,462
Other long term assets are not available to pay for current period expenditures and; therefore, are deferred in the funds.	148,100
The pension liability is not due and payables in the current period; therefore, the liability and related deferred inflows/outflows are not reporting in governmental funds.	(22,375,256)
Long-term liabilities are not due and payable in the current period and; therefore, are not reported in the funds.	(884,032)
	<u>\$ 1,138,974</u>

See accompanying notes to the basic financial statements

**Warren County Career Center**  
**Warren County, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property and Other Taxes	\$9,829,030	\$0	\$0	\$0	\$9,829,030
Intergovernmental	6,527,775	433,962	0	832,931	7,794,668
Charges for Services	0	0	0	139,114	139,114
Tuition and Fees	556,156	2,013,884	0	0	2,570,040
Interest	102,615	0	29,362	0	131,977
Gifts and Donations	9,154	0	0	500	9,654
Payment in Lieu of Taxes	144,507	0	0	0	144,507
Rent	48,306	0	0	0	48,306
Miscellaneous	236,495	0	0	17,235	253,730
Total Revenues	<u>17,454,038</u>	<u>2,447,846</u>	<u>29,362</u>	<u>989,780</u>	<u>20,921,026</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Special	190,059	0	0	0	190,059
Vocational	7,397,207	0	0	288,073	7,685,280
Adult Education	222,028	1,484,123	0	139,120	1,845,271
Support Services:					
Pupils	996,126	51,430	0	83,073	1,130,629
Instructional Staff	755,161	122,254	0	128,585	1,006,000
Board of Education	24,401	0	0	0	24,401
Administration	1,263,807	449,131	0	42,786	1,755,724
Fiscal	534,016	0	0	2,874	536,890
Business	0	15,521	0	0	15,521
Operation and Maintenance of Plant	1,347,543	38,412	14,755	0	1,400,710
Pupil Transportation	193,472	0	0	0	193,472
Central	292,335	678,629	0	43,354	1,014,318
Operation of Non-Instructional Services	9,719	1,053	0	333,393	344,165
Extracurricular Activities	78,842	0	0	0	78,842
Capital Outlay	210,424	0	184,801	0	395,225
Debt Service:					
Principal Retirement	89,385	0	425,000	0	514,385
Interest and Fiscal Charges	31,350	0	100,170	0	131,520
Total Expenditures	<u>13,635,875</u>	<u>2,840,553</u>	<u>724,726</u>	<u>1,061,258</u>	<u>18,262,412</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	3,818,163	(392,707)	(695,364)	(71,478)	2,658,614
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Capital Assets	6,734	0	0	0	6,734
Payment to Refunded Bond Escrow Agent	0	0	(5,003,581)	0	(5,003,581)
Transfers - In	0	180,000	1,200,000	110,000	1,490,000
Transfers - Out	(1,490,000)	0	0	0	(1,490,000)
Total Other Financing Sources (Uses)	<u>(1,483,266)</u>	<u>180,000</u>	<u>(3,803,581)</u>	<u>110,000</u>	<u>(4,996,847)</u>
Net Change in Fund Balances	2,334,897	(212,707)	(4,498,945)	38,522	(2,338,233)
Fund Balances - beginning	10,764,476	332,457	6,508,790	472,210	18,077,933
Fund Balances - ending	<u>\$ 13,099,373</u>	<u>\$ 119,750</u>	<u>\$ 2,009,845</u>	<u>\$ 510,732</u>	<u>\$ 15,739,700</u>

See accompanying notes to the basic financial statements

**Warren County Career Center  
Warren County, Ohio  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015**

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

Net Change in Fund Balance - Total Governmental Funds	\$ (2,338,233)
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 and reported as depreciation expense. This is the amount by which depreciation and net disposals exceeded capital outlays in the current period.	(387,108)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(83,375)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	5,126,233
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	1,271,860
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(914,852)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	102,830
Change in net position of governmental activities	<u>\$ 2,777,355</u>

See accompanying notes to the basic financial statements

**Warren County Career Center**  
**Warren County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (Non-GAAP Basis) and Actual -**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Property and Other Local Taxes	\$8,020,000	\$8,242,231	\$8,242,231	\$0
Intergovernmental	6,618,716	6,573,821	6,573,821	0
Tuition and Fees	353,000	396,576	396,576	0
Interest	85,000	112,242	115,620	3,378
Rent	30,900	50,906	50,906	0
Gifts and Donations	6,000	7,147	7,147	0
Payment in Lieu of Taxes	50,000	110,162	110,162	0
Miscellaneous	178,500	213,796	213,796	0
<b>Total Revenues</b>	<b>15,342,116</b>	<b>15,706,881</b>	<b>15,710,259</b>	<b>3,378</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special	192,057	189,387	189,387	0
Vocational	7,311,277	7,252,839	7,252,839	0
Adult/Continuing	221,679	221,679	221,679	0
Support Services:				
Pupils	1,090,248	973,200	973,200	0
Instructional Staff	970,065	808,435	808,435	0
Board of Education	38,896	25,173	25,173	0
Administration	1,526,856	1,291,022	1,291,022	0
Fiscal	514,758	534,185	534,185	0
Operation and Maintenance of Plant	1,506,137	1,470,038	1,470,038	0
Pupil Transportation	208,200	192,361	192,361	0
Central	283,483	298,296	298,296	0
Operation of Non-				
Instructional Services	17,125	9,220	9,220	0
Extracurricular Activities	107,409	88,378	88,378	0
Capital Outlay	300,000	210,424	210,424	0
Debt Service:				
Principal Retirement	70,000	70,000	70,000	0
Interest and Fiscal Charges	30,500	30,480	30,480	0
<b>Total Expenditures</b>	<b>14,388,690</b>	<b>13,665,117</b>	<b>13,665,117</b>	<b>0</b>
Excess of Revenues Over Expenditures	953,426	2,041,764	2,045,142	3,378
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	1,000	6,734	6,734	0
Refund of Prior Year Expenditures	5,000	62,251	62,251	0
Advances In	800,000	427,331	427,331	0
Advances Out	(750,000)	(650,338)	(650,338)	0
Transfers Out	(800,000)	(1,490,000)	(1,490,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(744,000)</b>	<b>(1,644,022)</b>	<b>(1,644,022)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>209,426</b>	<b>397,742</b>	<b>401,120</b>	<b>3,378</b>
Fund Balances at Beginning of Year	10,690,917	10,690,917	10,690,917	0
Prior Year Encumbrances Appropriated	420,916	420,916	420,916	0
<b>Fund Balances at End of Year</b>	<b>\$11,321,259</b>	<b>\$11,509,575</b>	<b>\$11,512,953</b>	<b>\$3,378</b>

See accompanying notes to the basic financial statements

**Warren County Career Center**  
**Warren County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (Non-GAAP Basis) and Actual -**  
**Adult Education Fund**  
**For the Fiscal Year Ended June 30, 2015**

	Adult Education			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$32,500	\$389,214	\$394,089	\$4,875
Tuition and Fees	3,190,887	1,986,474	2,013,884	27,410
Total Revenues	<u>3,223,387</u>	<u>2,375,688</u>	<u>2,407,973</u>	<u>32,285</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Adult/Continuing	2,130,514	1,551,267	1,551,265	2
Support Services:				
Pupils	150,566	52,835	52,836	(1)
Instructional Staff	130,167	122,598	122,597	1
Administration	490,590	458,050	458,049	1
Business	21,075	15,523	15,523	0
Operation and Maintenance of Plant	41,075	38,406	38,406	0
Central	1,014,972	690,317	690,320	(3)
Operation of Non-Instructional Services	<u>3,350</u>	<u>1,236</u>	<u>1,236</u>	<u>0</u>
Total Expenditures	<u>3,982,309</u>	<u>2,930,232</u>	<u>2,930,232</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(758,922)	(554,544)	(522,259)	32,285
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	0	8,354	8,354	0
Advances In	293,000	427,550	427,550	0
Advances Out	0	(302,550)	(302,550)	0
Transfers In	410,431	515,901	515,901	0
Transfers Out	0	(335,901)	(335,901)	0
Total Other Financing Sources (Uses)	<u>703,431</u>	<u>313,354</u>	<u>313,354</u>	<u>0</u>
Net Change in Fund Balance	(55,491)	(241,190)	(208,905)	32,285
Fund Balances at Beginning of Year	369,542	369,542	369,542	0
Prior Year Encumbrances Appropriated	<u>72,558</u>	<u>72,558</u>	<u>72,558</u>	<u>0</u>
Fund Balances at End of Year	<u>\$386,609</u>	<u>\$200,910</u>	<u>\$233,195</u>	<u>\$32,285</u>

See accompanying notes to the basic financial statements

**Warren County Career Center  
Warren County, Ohio  
Statement of Net Position  
Proprietary Funds  
June 30, 2015**

	Customer Service Fund
<b><u>Assets</u></b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	\$ 256,084
Receivables:	
Accounts	252
 <i>Noncurrent Assets</i>	
Capital Assets (Net of Accumulated Depreciation)	3,731
Total Assets	260,067
 <b><u>Liabilities</u></b>	
<i>Current Liabilities</i>	
Payables:	
Accounts	753
Intergovernmental	1,381
Salaries and Employee Benefits	5,746
Interfund	6,393
Total Liabilities	14,273
 <b><u>Net Position</u></b>	
Net Investment in Capital Assets	3,731
Unrestricted	242,063
Total Net Position	\$ 245,794

See accompanying notes to the basic financial statements

**Warren County Career Center**  
**Warren County, Ohio**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2015**

	Customer Service Fund
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$ 148,359
Other	50
	148,409
Total Operating Revenues	148,409
<b><u>Operating Expenses:</u></b>	
Salaries	8,823
Fringe Benefits	11,443
Purchased Services	6,256
Materials and Supplies	96,317
Depreciation	426
	123,265
Total Operating Expenses	123,265
Change in Net Position	25,144
Net Position - Beginning of Year	220,650
Net Position - End of Year	\$245,794

See accompanying notes to the basic financial statements

**Warren County Career Center  
Warren County, Ohio  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2015**

	Customer Service Fund
<b><u>Increase in Pooled Cash and Investments:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$148,107
Cash Payments to Suppliers for Goods and Services	(105,647)
Cash Payments to Employees for Services	(19,757)
Cash Received from Non-Operating Revenues	276
<i>Net Cash Provided by Operating Activities</i>	22,979
Net Increase in Pooled Cash and Investments	22,979
Pooled Cash and Investments at Beginning of Year	233,105
Pooled Cash and Investments at End of Year	256,084
 <b><u>Reconciliation of Operating Income to Net</u></b>	
<b><u>Cash Provided by Operating Activities:</u></b>	
Operating Income	25,144
 <b><u>Adjustments to Reconcile Operating Income</u></b>	
<b><u>to Net Cash Provided by Operating Activities:</u></b>	
Depreciation	426
<b><u>Changes in Assets and Liabilities:</u></b>	
Increase in Accounts Receivable	(252)
Decrease in Accounts Payable	(2,848)
Increase in Accrued Wages	862
Decrease in Intergovernmental Payable	(353)
Total Adjustments	(2,165)
Net Cash Provided by Operating Activities	\$22,979

See accompanying notes to the basic financial statements

**Warren County Career Center  
Warren County, Ohio  
Statement of Fiduciary Assets and Liabilities -  
Fiduciary Funds  
June 30, 2015**

	<u>Agency</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Investments	<u>\$ 55,128</u>
<b><u>Liabilities</u></b>	
Due to Students	<u>\$ 55,128</u>

See accompanying notes to the basic financial statements

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**WARREN COUNTY CAREER CENTER**

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

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**NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Warren County Career Center (the School District) is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board of Education. The Board of Education is not directly elected. The Board of Education is comprised of members of other elected boards who, by charter, also serve as board members of the Warren County Career Center. None of the school districts that appoint Board members are financially accountable for the School District nor do any appoint a voting majority of the Board.

The School District employs 72 certified, 38 classified, 11 administrative, 16 full time Adult Education along with 112 Adjunct Adult Education instructors who serve approximately 38 preschool students, 2,016 secondary students and 4,825 adult students. A vocational school exposes high school and adult students to academic preparation and job training which leads to employment and/or further education upon graduation from high school.

Reporting Entity

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

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

The School District is associated with three organizations, two jointly governed organizations and one insurance purchasing pool. These organizations are the Southwest Ohio Computer Association, the Jewell Education Foundation, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are discussed in Notes 18 and 19.

WARREN COUNTY CAREER CENTER

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

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

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

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School District. The effect of interfund activity has been removed from these statements. *Governmental activities*, normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or program. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements; although the fiduciary fund has no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WARREN COUNTY CAREER CENTER

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Property taxes, grants and entitlements, payment in lieu of taxes, tuition, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the School District.

*Fund Accounting*

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District employs the use of three categories of funds: governmental, proprietary and fiduciary.

*Governmental Funds*

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

The School District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

The *adult education fund* accounts for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from residents and students and reimbursements from the State Department of Education.

The *permanent improvement fund* is used to account for all transactions related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code. This fund was a major fund in prior years and is still considered a significant fund to be reported separately by the School District.

WARREN COUNTY CAREER CENTER

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

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

The School District reports the following proprietary fund:

The *customer service fund* accounts for transactions made in connection with goods and services provided by the School District. As an example, this fund is used to account for receipts and purchases made in connection, but not limited to, culinary training, landscape services and cosmetology. Although it does not qualify as a major fund, it is the only proprietary fund for the School District.

Additionally, the School District reports the following fund types:

*Fiduciary Agency Funds* reporting focuses on net position and changes in net position. The School District maintains two fiduciary funds, agency funds known as the Pell Grant and Student Activities Funds. The Pell Grant fund accounts for grant proceeds and disbursement to various students within the School District. The Student Activities fund was established to account for revenues generated by student managed activities. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (although no such grants or contributions were received for the year ending June 30, 2015). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the customer service are charges to customers for sales and services. Operating expenses for the enterprise funds include the personnel, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use the restricted resources first, then unrestricted resources as they are needed.

**C. Budgetary Data**

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

**WARREN COUNTY CAREER CENTER**

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

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

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Warren County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts by formal resolution the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued during fiscal year 2015.

**WARREN COUNTY CAREER CENTER**

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

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

Appropriations:

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

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The final budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a portion of the assigned fund balance for subsequent-year expenditures for general fund and included within the other governmental funds' respective fund balance classification.

Lapsing of Appropriations:

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

**WARREN COUNTY CAREER CENTER**

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

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

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as equity in pooled cash and investments on the statement of net position and fund balance sheets.

During the current fiscal year and at year-end, investments were limited to governmental sponsored agency securities, treasury notes and money market mutual funds.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the current fiscal year amounted to \$102,615 with \$9,492 assigned from other funds. The permanent improvement capital projects fund also received interest of \$29,362.

For purpose of the statement of cash flows and for the presentation on the statement of net position and fund balance sheets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory (Materials and Supplies)**

Inventories are valued at lower of cost (first-in, first-out method) or market and are determined by physical count. Inventories consist of donated food and purchased food and are expensed when used. The balance is reported as a nonspendable fund balance on the governmental balance sheet.

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, equipment, and vehicles, are reported on the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.) which could be required to be capitalized. The School District has no infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

WARREN COUNTY CAREER CENTER

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

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

Land improvements, buildings, equipment, and vehicles of the School District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Land Improvements	50
Vehicles and Equipment	5-15

**G. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from transaction-like activities between the School District's various funds are classified as interfund receivables/payables. These transactions are consolidated in the statement of net position.

**H. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after twenty years of current service with the School District.

Expenditures or liabilities related to compensated absences are reported in governmental funds only if they are due for payment as matured leave payable. The entire liability is reported on the government-wide statement of net position.

**I. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Capital leases, net pension liability and long term notes payable are reported as a liability on the statement of net position.

WARREN COUNTY CAREER CENTER

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**J. Interfund Activity**

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

**K. Fund Balance**

The School District reports the following fund balance categories:

- Nonspendable fund balance relates to the value of consumable inventories.
- Restricted fund balances relate to money received from local, state or federal grants.
- Assigned fund balances are balances the School District administration have specified the future use.
- Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**L. Net Position**

Net position represents the difference between assets and deferred outflows against liabilities and deferred inflows in the statement of net position. Net investment in capital assets is calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

WARREN COUNTY CAREER CENTER

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

---

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**M. Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statement of net position reports 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 School District, deferred inflows of resources include pension and property taxes. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (see Note 11). Delinquent property taxes and grants and entitlements received before the eligibility requirements are met are also recorded as deferred inflows of resources. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources. On the statement of net position, property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, have been recorded as a deferred inflow.

**N. 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.

**O. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

**P. Exchange/Non-Exchange Transactions**

Revenues 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.

WARREN COUNTY CAREER CENTER

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

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

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

**P. Estimates**

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

**Q. Reconciliation of government-wide and fund financial statements**

*Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position*

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of this (\$884,032) difference are as follows:

Capital Lease Payable	(\$12,041)
Energy Conservation Notes	(600,000)
Accrued Interest Payable	(2,400)
Compensated Absences	(269,591)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>(\$884,032)</u>

WARREN COUNTY CAREER CENTER

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Another element of that reconciliation explains that capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The details of \$8,510,462 difference are as follows:

Capital Assets	\$21,924,848
Accumulated Depreciation	<u>(13,414,386)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$8,510,462</u></u>

*Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities*

An element of that reconciliation states that repayment of long-term obligations is reported as an expenditure in government funds, the repayment reduces long-term liabilities in the statement of net position. The details of this \$102,830 are as follows:

Change in Benefit Balances	\$86,563
Change in interest due on long term notes	<u>16,267</u>
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$102,830</u></u>

An element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$5,126,233 are as follows:

Principal paid on the capital lease obligation	\$19,385
Principal payment to refunding escrow agent	4,575,000
Principal paid on the long term notes	<u>531,848</u>
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$5,126,233</u></u>

WARREN COUNTY CAREER CENTER

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

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

Another element of that reconciliation states that Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The details of this (\$387,108) are as follows:

Current Capital Additions	\$561,904
Depreciation Expense	<u>(949,012)</u>
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>(\$387,108)</u></u>

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$21,093,883
Adjustments:	
Net Pension Liability	(23,974,820)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,242,556</u>
Restated Net Position June 30, 2014	<u><u>(\$1,638,381)</u></u>

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

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

Budgetary Basis of Accounting:

While the School District is reporting net position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - General Fund and Major Special Revenue Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)**

The major differences between the budget basis and GAAP basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Encumbrances are treated as expenditure for all funds (budget basis) rather than as a reported as part of fund balance for governmental fund types (GAAP basis).
- D. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for major funds with required budgetary supplemental information. Only the general and major special revenue funds are reported for comparison.

Net Change in Fund Balance		
Major Funds		
	General Fund	Adult Education Fund
	<u>          </u>	<u>          </u>
GAAP Basis	\$2,334,897	(\$212,707)
Adjustments:		
Revenue Accrual	(1,743,779)	(39,873)
Expenditure Accrual	361,671	75,559
Advances	(223,007)	125,000
Encumbrances	<u>(328,662)</u>	<u>(156,884)</u>
Budget Basis	<u><u>\$401,120</u></u>	<u><u>(\$208,905)</u></u>

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 5 - ACCOUNTABILITY**

At June 30, 2015 the following fund had deficit fund balances:

Nonmajor Funds:	Amount
Early Entry Fund	\$745
Adult Basic and Literacy	40,986
VEPD Grant	5,116
Title IIA	281
Preschool	185

The deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit by providing operating transfers when cash is required, not when accruals occur.

**NOTE 6 - EQUITY IN POOLED CASH AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 6 - EQUITY IN POOLED CASH AND INVESTMENTS (continued)**

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$5,295,106 of the School District's bank balance of \$12,994,106 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 6 - EQUITY IN POOLED CASH AND INVESTMENTS (continued)**

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2015, the School District had the following investments.

	Carrying and Fair Value	Average Maturity (in years)
Federal Home Loan Bank Note	\$179,987	0.99
Federal National Mortgage Association Note	944,120	2.80
Federal Home Mortgage Corporation Note	860,455	2.87
U.S Treasury Notes	160,075	0.34
Money Market Mutual Fund	46,981	0.10
Total Investments	\$2,191,618	

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The School District limits their investments to securities in U.S governmental agency notes, US treasury notes and market mutual funds. Below are the credit ratings of the School District's investments:

	Rating Agency	
Security	Moody's	Standard & Poor's
Federal Home Loan Bank Note	Aaa	AAA
Federal National Mortgage Association Note	Aaa	AAA
Federal Home Mortgage Corporation Note	Aaa	AAA

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 6 - EQUITY IN POOLED CASH AND INVESTMENTS (continued)**

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The governmental agency notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issuer. The School District's investment in Federal Home Loan Bank Notes represents 8.21% of the total investments, Federal National Mortgage Association Notes represents 43.09% of the total investments, the Federal Home Mortgage Corporation Notes represents 39.26% of the total investments, Money Market Mutual Funds represents 2.14% of the total investments and the remaining 7.30% is invested in the U.S Treasury Note.

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2015 were based, is as follows:

	2014 First- Half Collections		2015 Second- Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$3,545,957,660	94.36%	\$3,616,757,930	94.35%
Public Utility Personal Property	212,097,840	5.64	\$216,687,580	5.65
Total Assessed Value	<u>\$3,758,055,500</u>	<u>100.00%</u>	<u>\$3,833,445,510</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.50		\$4.50	

Property taxes are levied and assessed on a calendar year basis. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. All property is required to be revalued every six years.

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 7 - PROPERTY TAXES** (continued)

2015 tangible personal property taxes are levied after April 1, 2014, on the value as of December 31, 2014. Collections are made in 2015. Tangible personal property assessments are six and one-quarter percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by February 27. If paid semi-annually, the first payment (at least one-half of amount billed) was due February 27, with the remainder due on July 24.

The county auditor remits portions of the taxes collected with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October to all taxing districts.

The School District received property taxes from the Warren County auditor. The county auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2015 are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2015, consisted of property taxes, accounts (tuition and student fees), interfund, intergovernmental (grants and rentals), charges for services, and interest. 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 intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
General Fund:	
Compensation Agreements	
Deerfield Township	\$19,731
City of Springboro	16,477
Hamilton Township	32,648
Miami University	55,497
Adult Education Fund:	
State Foundation	39,873
Nonmajor Governmental Fund:	
Public Preschool State Grant	4,140
LGIF State Grant	1,540
ABLE Grant Fund	1,048
Carl Perkins Grant Fund	21,798
Improving Teacher Quality Grant Fund	433
Total	<u>\$193,185</u>

**WARREN COUNTY CAREER CENTER**

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

**NOTE 9 - CAPITAL ASSETS**

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

	Balance 07/01/2014	Increases	Decreases	Balance 06/30/2015
<b>Governmental Activities</b>				
Capital Assets, not depreciated				
Land	\$456,000	\$0	\$0	\$456,000
Capital Assets, being depreciated				
Land Improvements	338,954	11,020	0	349,974
Buildings and Improvements	16,081,104	0	0	16,081,104
Furniture and Equipment	3,954,775	550,884	(198,471)	4,307,188
Vehicles	747,410	0	(16,828)	730,582
Total at Historical Cost	<u>21,578,243</u>	<u>561,904</u>	<u>(215,299)</u>	<u>21,924,848</u>
Less Accumulated Depreciation:				
Land Improvements	(149,837)	(19,879)	0	(169,716)
Buildings and Improvements	(8,462,011)	(640,423)	0	(9,102,434)
Furniture and Equipment	(3,542,917)	(253,683)	198,471	(3,598,129)
Vehicles	(525,908)	(35,027)	16,828	(544,107)
Total Accumulated Depreciation	<u>(12,680,673)</u>	<u>(949,012)</u>	<u>215,299</u>	<u>(13,414,386)</u>
Governmental Activities Capital Assets, Net	<u>8,897,570</u>	<u>(387,108)</u>	<u>0</u>	<u>8,510,462</u>
<b>Business-Type Activities</b>				
Capital Assets, being depreciated				
Buildings and Improvements	8,530	0	0	8,530
Furniture and Equipment	22,262	0	0	22,262
Less Accumulated Depreciation	<u>(26,635)</u>	<u>(426)</u>	<u>0</u>	<u>(27,061)</u>
Business-Type Activities Capital Assets, Net	<u>\$4,157</u>	<u>(\$426)</u>	<u>\$0</u>	<u>\$3,731</u>

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 9 - CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions/programs of the School District as follows:

Instruction:	
Vocational	\$575,422
Adult Education	26,062
Support Services:	
Instructional Staff	2,834
Administration	24,852
Business	9,559
Operation and Maintenance of Plant	53,429
Pupil Transportation	13,260
Central	241,256
Non-operational Instruction	2,338
Total Depreciation Expense	<u>\$949,012</u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2015, the School District contracted with Utica Insurance Company for general liability insurance with a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate and property and building replacement of \$44,160,841 (which includes the Greentree Health Science Academy) carrying a \$5,000 deductible and 90% coinsurance. Vehicles are also covered under a business policy with Argonaut Insurance Company which carries a \$500 deductible for buses and \$500/\$1,000 comprehensive/collision on other vehicles and a \$1,000,000 limit on liability with \$5,000 deductible for medical and \$1,000,000 for uninsured motorists.

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

For fiscal year 2015, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 10 - RISK MANAGEMENT** (continued)

A participant will then either receive money from or be required to contribute to the “equity pooling fund.” The “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

The School District provided an option for medical/surgical benefits (PPO administered by Anthem for health care coverage) and prescription coverage through CVS Caremark. The School District paid the following amounts:

The School District paid for Secondary Instruction staff \$1,199.49 per month for a family plan, \$863.18 for an employee and kids plan, or \$466.62 for single coverage and all other staff the School District paid \$1,204.08 per month for a family plan, \$866.48 for an employee and kids plan, or \$468.41 for single coverage for medical and prescription insurance through Anthem – Blue Access which represents 85% of the total premium.

The School District paid \$14.36 for family coverage and \$6.16 for single coverage per month to EPC Vision Benefit Plan, which represents eighty-five percent of the premium required.

Dental insurance was provided by Dental Care Plus and the School District paid \$90.31 for family coverage and \$31.13 for single coverage for the in-network (HMO), which represents 85% of the total premium. For the Indemnity Coverage (out of network), the School District paid \$101.16 for a family plan and \$34.88 for a single plan. The School District paid \$3.38 to EPC for Sun Life Insurance Company.

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

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 11 -- DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or 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.

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 11 -- DEFINED BENEFIT PENSION PLANS (continued)**

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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 School District's contractually required contribution to SERS was \$245,636 for fiscal year 2015. Of this amount \$9,050 is reported as an intergovernmental payable.

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

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

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

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 11 -- DEFINED BENEFIT PENSION PLANS (continued)**

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.

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 School 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.

**WARREN COUNTY CAREER CENTER**

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

**NOTE 11 -- DEFINED BENEFIT PENSION PLANS** (continued)

The School District's contractually required contribution to STRS was \$1,029,975 for fiscal year 2015. Of this amount \$63,326 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,080,242	\$17,088,318	\$20,168,560
Proportion of the Net Pension Liability	0.060863%	0.07025447%	
Pension Expense	\$181,143	\$789,465	\$970,608

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$26,216	\$164,512	\$190,728
Difference between School District contributions and proportionate share of contributions	0	6,121	6,121
School District contributions subsequent to the measurement date	<u>246,802</u>	<u>1,025,058</u>	<u>1,271,860</u>
Total Deferred Outflows of Resources	<u><u>\$273,018</u></u>	<u><u>\$1,195,691</u></u>	<u><u>\$1,468,709</u></u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$499,932	\$3,161,404	\$3,661,336
Difference between School District contributions and proportionate share of contributions	<u>14,069</u>	<u>0</u>	<u>14,069</u>
Total Deferred Inflows of Resources	<u><u>\$514,001</u></u>	<u><u>\$3,161,404</u></u>	<u><u>\$3,675,405</u></u>

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 11 -- DEFINED BENEFIT PENSION PLANS** (continued)

\$1,270,860 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$123,244)	(\$747,693)	(\$870,937)
2017	(123,244)	(747,693)	(870,937)
2018	(123,244)	(747,693)	(870,937)
2019	(118,053)	(747,692)	(865,745)
Total	(\$487,785)	(\$2,990,771)	(\$3,478,556)

***Actuarial Assumptions - SERS***

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will 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.

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 11 -- DEFINED BENEFIT PENSION PLANS (continued)**

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><u>100.00 %</u></u>	

**WARREN COUNTY CAREER CENTER**

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

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**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 School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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%)
School District's proportionate share of the net pension liability	\$4,394,581	\$3,080,242	\$1,974,759

**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.

**WARREN COUNTY CAREER CENTER**

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

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**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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	1.00	3.00
Total	100.00 %	

**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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 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%)
School District's proportionate share of the net pension liability	\$24,463,072	\$17,088,318	\$10,850,279

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 12 – POSTEMPLOYMENT BENEFITS**

A. School Employee Retirement System

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, 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 School District's surcharge obligation was \$9,188.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$24,196, \$12,714, and \$16,713, respectively. For fiscal year 2015, 96 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)**

***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio 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 School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$71,362, and \$71,522 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 13 - COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified employees may earn up to ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days. Upon retirement, payment shall be made for accrued but unused sick days on the basis of 25 percent of member's actual accumulated sick leave days to a maximum of 60 days.

WARREN COUNTY CAREER CENTER

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

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**NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the School District entered into a capital lease for copiers and apple computers totaling \$75,240 and entered into capitalized leases for the acquisition of copiers for \$86,486. The terms of the one agreement provides an option to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis. Principal payments in fiscal year 2015 totaled \$19,385 and interest payments of \$870.

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

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2016	\$12,203
Less: Amount Representing Interest	<u>(162)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$12,041</u></u>

**WARREN COUNTY CAREER CENTER**

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

**NOTE 15 - LONG-TERM LIABILITIES**

The changes in the School District's long-term obligations (non-current liabilities) during the year consist of the following:

	Restated Obligation Outstanding June 30, 2014	Additions	Deletions	Obligation Outstanding June 30, 2015	Amounts Due in One Year
<b>Governmental Activities</b>					
Certificates of Participation	\$5,000,000	\$0	\$5,000,000	\$0	\$0
Premium	36,848	0	36,848	0	0
Energy Conservation Notes	670,000	0	70,000	600,000	75,000
Compensated Absences	356,154	426,722	502,776	280,100	146,265
Capital Leases Payable	31,426	0	19,385	12,041	12,041
Net pension Liability					
SERS	3,619,327	0	539,086	3,080,241	0
STRS	20,355,493	0	3,267,174	17,088,319	0
<b>Total Governmental Activities</b>	<b>\$30,069,248</b>	<b>\$426,722</b>	<b>\$9,435,269</b>	<b>\$21,060,701</b>	<b>\$233,306</b>

*Certificates of Participation Notes* - On February 3, 2009, the School District issued \$7,000,000 in certificates of participation notes for the purpose of renovating the current building and related increased capacity. The notes were called on the first call date. As a result, the in-substance defeasance is considered to be defeased and the liability has been removed from the statement of net position.

*Energy Conservation Notes* – On September 8, 2010, the School District issued \$881,000 in energy conservation notes under the Qualified School Construction Bond program that will rebate one hundred percent of the interest costs from the Federal government. The notes were issue for a twelve year period with a final maturity of December 1, 2022. The notes will be retired from the general fund and used for updating various lighting and other electrical items throughout the school.

The School District's overall legal debt margin was \$344,410,096 with an energy conservation debt margin of \$33,901,010 and an unvoted debt margin of \$3,833,446 at June 30, 2015.

Compensated absences will be paid from the fund from which the person is paid which is typically the General Fund. Capital leases will be paid from the General fund.

**WARREN COUNTY CAREER CENTER**

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

**NOTE 15 - LONG-TERM LIABILITIES** (continued)

Fiscal Year Ending June 30,	Energy Conservation Notes		
	Principal	Interest	Total
2016	\$75,000	\$27,000	\$102,000
2017	75,000	23,400	98,400
2018	75,000	19,800	94,800
2019	75,000	16,200	91,200
2020	75,000	12,600	87,600
2021-2023	225,000	16,200	241,200
Totals	\$600,000	\$115,200	\$715,200

**NOTE 16 – IN-SUBSTANCE DEFEASANCE OF CERTIFICATES OF PARTICIPATION**

On January 7, 2015, the School District entered into an Escrow Trust Agreement with Huntington Bank. The agreement required that the School District deposit \$5,003,581 into an irrevocable trust with the bank for the payment to final maturity from the 2009 Certificates of Participation. The funds deposited, per the agreement, purchased U.S. Government Securities in substitution of the general obligations of the School District. The funds deposited, together with the interest earned thereon, shall be sufficient to pay semi-annual principal and interest payments, thus providing an in-substance defeasance. The defeasance has occurred for the following certificates of participation:

Original Amount Defeased	Amount Outstanding at 6/30/15
\$4,575,000	\$4,575,000

**NOTE 17 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2015, consist of the following individual receivables and payables and transfers in the governmental balance sheet and proprietary fund statement of net position (such amounts are removed from consolidated columns in the statement of net position):

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$250,385	\$0	\$0	\$1,490,000
Adult Education	0	181,086	180,000	0
Permanent Improvement	13,158	0	1,200,000	0
Customer Service	0	6,393	0	0
Nonmajor Funds:				
Special Revenue	0	76,064	110,000	0
Total All Funds	\$263,543	\$263,543	\$1,490,000	\$1,490,000

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 17 - INTERFUND TRANSACTIONS (continued)**

The interfund payables are expected to be repaid within one year. The School District is continuing to evaluate the user charges in adult education major fund to bring revenue generation in line with expenditures. The transfers are routine in nature with the majority of the money being transferred to the permanent improvement capital projects fund for the School District's share of the roof replacement cost and to help make the debt service refunding payment.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATION**

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and educational service centers within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The School District paid \$62,690 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

The School District is a participant in the Jewell Education Foundation, which is a jointly governed educational foundation established to benefit the school districts in Warren County. The Foundation was created to promote and assist in funding through soliciting grants and charitable contributions for distributions to member educational institutions of participating school districts. The governing board is made up of the Warren County Career Center superintendent, one member of the Warren County Career Center Board of Education, not on the current board, and one member submitted by each participating school district. The School District made no financial contribution to the Foundation. Financial information can be obtained from the Director of Planned Giving, Rick Wood, at P. O. Box 854, Lebanon, Ohio 45036.

**NOTE 19 - INSURANCE PURCHASING POOL**

The School District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan. The School District paid \$1,055 during 2015 to participate in the pool.

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 20 - STATUTORY RESERVES**

As stated in H.B. 412, the School District is required to maintain through reserves for capital acquisitions. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

	Capital Acquisition
Set-aside Carryover Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	155,992
Offsets	(1,200,000)
Qualifying Disbursements	(1,305,980)
Total	(\$2,349,988)

Although the School District had qualifying disbursements during the year that reduced the capital acquisition below zero, the amount is not carried forward to the next fiscal year.

**NOTE 21 – FUND BALANCE ALLOCATION**

The School District has chosen to present to the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications are outlined below:

	General	Adult Education	Permanent Improvement	Non-Major Funds
Fund Balances:				
Nonspendable:				
Inventory	\$0	\$0	\$0	\$6,088
Restricted for:				
Capital Improvements	0	0	0	539,662
Contributor restrictions	0	0	0	4,714
Food Service	0	0	0	870
Federal Grants	0	0	0	6,711
Assigned to:				
Adult Education	0	119,750	0	0
Budgetary Encumbrances	362,242	0	0	0
Capital Improvements	0	0	2,009,845	0
Public School Funds	19,627	0	0	0
Unassigned:	12,717,504	0	0	(47,313)
Total Fund Balances	\$13,099,373	\$119,750	\$2,009,845	\$510,732

**WARREN COUNTY CAREER CENTER**

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

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**NOTE 22 - CONTINGENCIES**

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

Litigation:

As of June 30, 2015, the School District did not have any pending litigation.

**NOTE 23 – SCHOOL DISTRICT 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 school 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 school 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 School District.

Warren County Career Center  
 Required Supplementary Information  
 Schedule of the Center's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2014	2013
The Center's Proportion of the Net Pension Liability	0.060863%	0.060863%
The Center's Proportion Share of the Net Pension Liability	\$ 3,080,242	\$ 3,619,327
The Center's Covered-Employee Payroll	1,676,335	1,796,113
The Center's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	183.75%	201.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

Warren County Career Center  
 Required Supplementary Information  
 Schedule of the Center's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2014	2013
The Center's Proportion of the Net Pension Liability	0.07025447%	0.07025447%
The Center's Proportion Share of the Net Pension Liability	\$ 17,088,318	\$ 20,355,493
The Center's Covered-Employee Payroll	7,844,908	7,679,685
The Center's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	217.83%	265.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available

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Warren County Career Center  
 Required Supplementary Information  
 Schedule of Center's Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 245,636	\$ 232,340	\$ 248,582
Contributions in Relation to the Contractually Required Contribution	<u>(245,636)</u>	<u>(232,340)</u>	<u>(248,582)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Center Covered-Employee Payroll	\$ 1,863,703	\$ 1,676,335	\$ 1,796,113
Contributions as a Percentage of Covered- Employee Payroll	13.18%	13.86%	13.84%

Warren County Career Center  
 Required Supplementary Information  
 Schedule of Center's Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

2012	2011	2010	2009	2008	2007	2006
\$ 241,951	\$ 224,989	\$ 226,832	\$ 220,108	\$ 210,281	\$ 209,892	\$ 187,931
<u>(241,951)</u>	<u>(224,989)</u>	<u>(226,832)</u>	<u>(220,108)</u>	<u>(210,281)</u>	<u>(209,892)</u>	<u>(187,931)</u>
<u>\$ -</u>						
\$ 1,798,892	\$ 1,789,889	\$ 1,675,273	\$ 2,236,870	\$ 2,141,354	\$ 1,965,281	\$ 1,776,285
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Warren County Career Center  
 Required Supplementary Information  
 Schedule of Center's Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 1,029,975	\$ 1,019,838	\$ 998,359
Contributions in Relation to the Contractually Required Contribution	<u>(1,029,975)</u>	<u>(1,019,838)</u>	<u>(998,359)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Center Covered-Employee Payroll	\$ 7,356,964	\$ 7,844,908	\$ 7,679,685
Contributions as a Percentage of Covered- Employee Payroll	14.00%	13.00%	13.00%

Warren County Career Center  
 Required Supplementary Information  
 Schedule of Center's Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

2012	2011	2010	2009	2008	2007	2006
\$ 1,036,483	\$ 1,058,380	\$ 1,038,413	\$ 995,511	\$ 916,596	\$ 841,974	\$ 836,179
<u>(1,036,483)</u>	<u>(1,058,380)</u>	<u>(1,038,413)</u>	<u>(995,511)</u>	<u>(916,596)</u>	<u>(841,974)</u>	<u>(836,179)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,972,946	\$ 8,141,385	\$ 7,987,792	\$ 7,657,777	\$ 7,050,738	\$ 6,476,723	\$ 6,432,146
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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WARREN COUNTY CAREER CENTER  
WARREN COUNTY

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

Federal Grantor, Pass-Through Grantor, Program Title/Name	Grant Year	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed Through Ohio Department of Education:						
<u>Child Nutrition Cluster:</u>						
Non-Cash Assistance (Food Distribution):						
School Breakfast Program	2015	10.553		\$ 539		\$ 539
National School Lunch Program	2015	10.555		5,643		5,529
Cash Assistance:						
School Breakfast Program	2015	10.553	\$ 22,772	0	\$ 22,772	0
National School Lunch Program	2015	10.555	103,490	0	103,490	0
Total Child Nutrition Cluster			<u>126,262</u>	<u>6,182</u>	<u>126,262</u>	<u>6,068</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>126,262</u></b>	<b><u>6,182</u></b>	<b><u>126,262</u></b>	<b><u>6,068</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<u>Student Financial Aid Cluster:</u>						
Federal Pell Grant Program	2015	84.063	436,662	0	439,192	0
Direct Loan Program	2015	84.268	937,283	0	934,561	0
Total Student Financial Aid Cluster			<u>1,373,945</u>	<u>0</u>	<u>1,373,753</u>	<u>0</u>
Passed Through Ohio Department of Education:						
Adult Education - Basic Grants to States	2015	84.002	102,871	0	142,743	0
Adult Education - Basic Grants to States	2014	84.002	42,543		0	
Adult Education - Basic Grants to States (EL/Civics)	2015	84.002	9,225		10,273	
Total CFDA Number 84.002			<u>154,639</u>	<u>0</u>	<u>153,016</u>	<u>0</u>
Improving Teacher Quality State Grants	2015	84.367	1,318	0	1,751	0
Improving Teacher Quality State Grants	2014	84.367	3,319		0	
Total CFDA Number 84.367			<u>4,637</u>	<u>0</u>	<u>1,751</u>	<u>0</u>
ARRA - Race to the Top	2015	84.395	700	0	700	0
Career & Technical Education_Basic Grants to States	2015	84.048	247,531	0	256,354	0
Career & Technical Education_Basic Grants to States	2014	84.048	55,949		0	
Passed Through Butler Technology and Career Development:						
Career & Technical Education_Basic Grants to States	2015	84.048	82,833	0	95,808	0
Total CFDA Number 84.048			<u>386,313</u>	<u>0</u>	<u>352,162</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<b><u>1,920,234</u></b>	<b><u>0</u></b>	<b><u>1,881,382</u></b>	<b><u>0</u></b>
<b>Total Federal Assistance</b>			<b><u>\$2,046,496</u></b>	<b><u>\$6,182</u></b>	<b><u>\$2,007,644</u></b>	<b><u>\$6,068</u></b>

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

**WARREN COUNTY CAREER CENTER  
WARREN COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Warren County Career Center's (the School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective programs 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

Warren County Career Center  
Warren County  
3529 N. State Route 48  
Lebanon, Ohio 45036

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Career Center, Warren County, (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 6, 2016 wherein we noted the School 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*.

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

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School 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 School 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 School 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 6, 2016



# 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

Warren County Career Center  
Warren County  
3529 N. State Route 48  
Lebanon, Ohio 45036

To the Board of Education:

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

We have audited the Warren County Career Center's, Warren County, Ohio (the School District) 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 Warren County Career Center'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 School District's major federal programs.

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

The School 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 School District's compliance for each of the School 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 School 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 School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Warren County Career Center 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 School 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 School 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 School 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 over 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

January 6, 2016

**WARREN COUNTY CAREER CENTER  
WARREN COUNTY**

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Student Financial Aid Cluster- CFDA# 84.063/84.268  Career and Technical Education – Basic Grants to States (Perkins IV)—CFDA# 84.048
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

WARREN COUNTY CAREER CENTER

WARREN 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  
JANUARY 19, 2016