



OHIO AUDITOR OF STATE
KEITH FABER



**GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT
GALLIA COUNTY
JUNE 30, 2018**

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GALLIA COUNTY
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

Gallia-Jackson-Vinton Joint Vocational School District
Gallia County
P.O. Box 157
Rio Grande, Ohio 45674

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 the Gallia-Jackson-Vinton Joint Vocational School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2018, 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 such 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 the Gallia-Jackson-Vinton Joint Vocational School District, Gallia County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to 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 and Other Post-employment Benefit Liabilities and Pension and Other Post-employment Benefit 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 Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

March 13, 2019

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Gallia-Jackson-Vinton Joint Vocational School District, Ohio

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

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

Financial Highlights

Key financial highlights for the fiscal year 2018 are as follows:

- In total, net position increased \$5,811,458. Net position of governmental activities increased \$4,741,828; net position of business-type activities increased \$1,069,630 from 2017.
- For governmental activities, general revenues accounted for \$8,837,120 in revenues or 73.5% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales and grants, contributions, and interest accounted for \$3,184,040 or 26.5% of total revenues of \$12,021,160.
- The School District had \$7,279,332 in expenses related to governmental activities; only \$3,184,040 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$8,837,120 were adequate to cover the remaining expenses. Business-type activities had \$614,037 in expenses; program specific revenue in the amount of \$1,683,559 was adequate to cover these expenses.

USING THE BASIC FINANCIAL STATEMENTS

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector

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*Management's Discussion and Analysis
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Unaudited*

companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the School District is divided into two kinds of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, and extracurricular activities.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the good or services provided. The School District's adult education programs and rotary services are reported as business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund. The School District's only major business-type activity fund is the Adult Education Enterprise Fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities (adult education and rotary services); therefore, these statements will essentially match.

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

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THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	\$14,033,848	\$13,068,856	\$2,476,470	\$2,571,382	\$16,510,318	\$15,640,238
Capital Assets	18,092,878	17,706,648	111,424	137,071	18,204,302	17,843,719
<i>Total Assets</i>	<u>32,126,726</u>	<u>30,775,504</u>	<u>2,587,894</u>	<u>2,708,453</u>	<u>34,714,620</u>	<u>33,483,957</u>
Deferred Outflows of Resources						
Pension	3,543,047	3,242,156	1,132,630	587,700	4,675,677	3,829,856
OPEB	126,680	17,372	76,865	1,511	203,545	18,883
<i>Total Deferred Outflows of Resources</i>	<u>3,669,727</u>	<u>3,259,528</u>	<u>1,209,495</u>	<u>589,211</u>	<u>4,879,222</u>	<u>3,848,739</u>
Liabilities						
Current and Other Liabilities	1,088,553	1,020,018	81,401	206,730	1,169,954	1,226,748
Long-term Liabilities:						
Due Within One Year	204,000	211,277	0	0	204,000	211,277
Due in More than One Year:						
Net Pension Liability	10,127,896	14,550,590	2,353,765	2,900,342	12,481,661	17,450,932
OPEB	2,214,416	2,844,982	434,500	508,627	2,648,916	3,353,609
Other Amounts	1,317,696	1,492,205	10,752	27,994	1,328,448	1,520,199
<i>Total Liabilities</i>	<u>14,952,561</u>	<u>20,119,072</u>	<u>2,880,418</u>	<u>3,643,693</u>	<u>17,832,979</u>	<u>23,762,765</u>
Deferred Inflows of Resources						
Property Taxes	2,910,190	2,568,045	0	0	2,910,190	2,568,045
Pension	862,557	0	141,728	0	1,004,285	0
OPEB	350,842	0	51,642	0	402,484	0
<i>Total Deferred Inflows of Resources</i>	<u>4,123,589</u>	<u>2,568,045</u>	<u>193,370</u>	<u>0</u>	<u>4,316,959</u>	<u>2,568,045</u>
Net Position						
Net Investment in Capital Assets	17,072,878	17,113,208	111,424	54,042	17,184,302	17,167,250
Restricted	1,498,533	1,480,060	0	0	1,498,533	1,480,060
Unrestricted (Deficits)	(1,851,108)	(6,614,793)	612,177	(400,071)	(1,238,931)	(7,014,864)
<i>Total Net Position</i>	<u>\$16,720,303</u>	<u>\$11,978,475</u>	<u>\$723,601</u>	<u>(\$346,029)</u>	<u>\$17,443,904</u>	<u>\$11,632,446</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control

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of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation, along with a capital asset restatement, had the effect of restating net position at June 30, 2017, from \$14,175,525 to \$11,978,475 for governmental activities and from \$161,087 to (\$346,029) for the business-type activity.

Total assets increased \$1,230,663, with governmental assets increasing \$1,351,222 while the business-type assets decreased \$120,559. For governmental activities, cash and cash equivalents increased \$679,965, and intergovernmental receivables increased \$53,790. The significant change in the business-type assets is cash and cash equivalents with a decrease of \$121,085.

Total liabilities decreased \$5,929,786, with governmental liabilities decreased \$5,166,511 and the business-type activity liabilities decreased \$763,275. The governmental funds, current liabilities reported a small increase of \$68,535. Governmental net pension liability decreased \$4,422,694, the OPEB liability decreased \$630,566, as well as other long-term liabilities of \$174,509 reflecting current year debt payments of \$204,000 which is offset by increased sick leave benefits payable of \$22,214. For the business-type activity, current liabilities decreased \$125,329, primarily due to a decrease in accounts payable of \$100,728, and a decrease in accrued wages and benefits payable of \$23,385. Business-type net pension liability decreased \$546,577, the OPEB liability decreased \$74,127, while the other long-term liabilities decreased \$17,242, reflecting the change in sick leave benefits payable.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018, compared to changes in net position for the fiscal year ended June 30, 2017.

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Unaudited

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services and Sales	\$241,744	\$300,838	\$1,393,930	\$1,342,433	\$1,635,674	\$1,643,271
Operating Grants and Contributions	2,942,296	3,084,622	289,629	306,373	3,231,925	3,390,995
Total Program Revenues	3,184,040	3,385,460	1,683,559	1,648,806	4,867,599	5,034,266
General Revenues:						
Property Taxes	3,042,283	2,330,895	0	0	3,042,283	2,330,895
Grants and Entitlements	5,636,471	5,232,260	0	0	5,636,471	5,232,260
Interest	66,512	62,748	0	0	66,512	62,748
Gain on Sale of Capital Assets	3,868	0	0	0	3,868	0
Contributions and Donations	0	60,000	0	0	0	60,000
Miscellaneous	87,986	44,596	108	1,629	88,094	46,225
Total General Revenues	8,837,120	7,730,499	108	1,629	8,837,228	7,732,128
Total Revenues	12,021,160	11,115,959	1,683,667	1,650,435	13,704,827	12,766,394
Program Expenses						
Instruction:						
Regular	2,529	22,865	0	0	2,529	22,865
Special	418,301	749,036	0	0	418,301	749,036
Vocational	3,021,429	5,549,454	0	0	3,021,429	5,549,454
Adult/Continuing	420,870	544,579	0	0	420,870	544,579
Support Services:						
Pupils	377,895	769,471	0	0	377,895	769,471
Instructional Staff	520,351	968,709	0	0	520,351	968,709
Board of Education	153,188	97,105	0	0	153,188	97,105
Administration	265,242	673,236	0	0	265,242	673,236
Fiscal	372,310	510,074	0	0	372,310	510,074
Business	67,917	74,646	0	0	67,917	74,646
Operation and Maintenance of Plant	1,150,392	1,204,420	0	0	1,150,392	1,204,420
Pupil Transportation	19,004	28,586	0	0	19,004	28,586
Central	111,213	93,992	0	0	111,213	93,992
Operation of Non-Instructional Services:						
Food Service Operations	340,903	282,622	0	0	340,903	282,622
Extracurricular Activities	10,973	17,044	0	0	10,973	17,044
Interest and Fiscal Charges	26,815	31,549	0	0	26,815	31,549
Adult Education	0	0	602,675	1,800,804	602,675	1,800,804
Rotary	0	0	11,362	11,948	11,362	11,948
Total Expenses	7,279,332	11,617,388	614,037	1,812,752	7,893,369	13,430,140
Change in Net Position	4,741,828	(501,429)	1,069,630	(162,317)	5,811,458	(663,746)
Net Position (Deficit) at Beginning of Year	11,978,475	N/A	(346,029)	N/A	11,632,446	N/A
Net Position (Deficit) at End of Year	\$16,720,303	\$11,978,475	\$723,601	(\$346,029)	\$17,443,904	\$11,632,446

Governmental Activities

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$17,372 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$368,010. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

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Unaudited*

Total 2018 program expenses under GASB 75	\$7,279,332
Negative OPEB expense under GASB 75	368,010
2018 contractually required contribution	<u>21,022</u>
Adjusted 2018 program expenses	7,668,364
Total 2017 program expenses under GASB 45	<u>11,617,388</u>
Decrease in program expenses not related to OPEB	<u><u>(\$3,949,024)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 15) As a result of these changes, pension expense decreased from \$1,371,091 in fiscal year 2017 to a negative pension expense of \$3,163,381 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	(\$438)
Special	(239,338)
Vocational	(2,189,494)
Adult/Continuing	(63,903)
Support Services:	
Pupils	(218,292)
Instructional Staff	(138,157)
Board of Education	(329)
Administration	(279,331)
Fiscal	(6,036)
Business	(1,558)
Operation and Maintenance of Plant	(13,376)
Central	(507)
Operation of Non-Instructional Services:	
Food Service Operations	(3,118)
Extracurricular Activities	<u>(9,504)</u>
Total Expenses	<u><u>(\$3,163,381)</u></u>

Net position of the School District's governmental activities increased \$4,741,828 in fiscal year 2018. Total governmental expenses of \$7,279,332 were under the program revenues of \$3,184,040 and general revenues of \$8,837,120.

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The primary sources of revenue for the School District are derived from property taxes and grants/entitlements not restricted to specific programs. These two revenue sources represent 72.2 percent of the total revenue. The remaining 27.8 percent of revenue is from program revenues, interest, donations, and miscellaneous sources.

Business-Type Activity

The business-type activity involves the School District's adult education program. This program had revenues of \$1,683,667 and expenses of \$614,037 for fiscal year 2018. The expenses of this program included \$787,972 in negative pension expense. Pension expense for fiscal year 2017 was \$244,432.

Table 3 shows the total cost of services and the net cost of services for fiscal year 2018 compared to fiscal year 2017. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	2018 Total Cost of Services	2018 Net Cost of Services	2017 Total Cost of Services	2017 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$2,529	\$2,529	\$22,865	\$22,865
Special	418,301	(206,068)	749,036	(365)
Vocational	3,021,429	1,831,160	5,549,454	4,309,934
Adult/Continuing	420,870	(192,916)	544,579	25,266
Support Services:				
Pupils	377,895	159,376	769,471	454,875
Instructional Staff	520,351	402,291	968,709	855,641
Board of Education	153,188	153,188	97,105	97,105
Administration	265,242	167,135	673,236	568,073
Fiscal	372,310	372,310	510,074	510,074
Business	67,917	67,917	74,646	74,646
Operation and Maintenance of Plant	1,150,392	1,150,392	1,204,420	1,204,420
Pupil Transportation	19,004	19,004	28,586	28,586
Central	111,213	109,413	93,992	91,806
Non-Instructional Services:				
Food Service Operations	340,903	21,773	282,622	(59,591)
Extracurricular Activities	10,973	10,973	17,044	17,044
Interest and Fiscal Charges	26,815	26,815	31,549	31,549
Totals	\$7,279,332	\$4,095,292	\$11,617,388	\$8,231,928

As you can see, the reliance upon local tax revenues for governmental activities is crucial. 41.8 percent of expenses are directly supported by local property taxes. The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2018, approximately 56.3 percent of all activities were supported through taxes and other general revenues.

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

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

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds reported a combined fund balance of \$9,348,146, an increase of \$439,837 from fiscal year 2017. All governmental funds had total revenues of \$11,884,976 and expenditures of \$11,367,515.

The School District's funds are accounted for using the modified accrual basis of accounting. The General Fund's increase of \$99,203 is due primarily to an increase in property taxes and intergovernmental revenue.

The Permanent Improvement Fund's decrease of \$29,060 is due to an increase in operation and maintenance expenditures.

General Fund Budgeting Highlights

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

During the course of fiscal 2018, the School District did amend its General Fund estimated revenues numerous times. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final revenue estimate was \$9,955,481, which represented an increase of \$599,296 from original estimates of \$9,356,185. The final expenditure estimate of \$8,970,074 represented a \$1,295,181 or 12.6 percent, decrease from the original estimates of \$10,265,255.

The School District's ending unobligated General Fund balance was \$3,800,337.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the School District had \$17,184,302 invested in capital assets, net of debt. Table 4 shows fiscal year 2018 balances compared to 2017.

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

	Governmental Activities		Business-Type Activity		Total	
	2018	2017	2018	2017	2018	2017
Land	\$110,702	\$110,702	\$0	\$0	\$110,702	\$110,702
Construction in Progress	5,040	0	0	0	5,040	0
Buildings and Improvements	16,691,350	17,181,801	0	0	16,691,350	17,181,801
Furniture and Equipment	1,167,536	900,000	111,424	137,071	1,278,960	1,037,071
Vehicles	118,250	144,705	0	0	118,250	144,705
Totals	\$18,092,878	\$18,337,208	\$111,424	\$137,071	\$18,204,302	\$18,474,279

For additional information on capital assets, see Note 12 to the basic financial statements.

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

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

Debt

At June 30, 2018, the School District had Qualified Zone Academy Bonds outstanding in the amount of \$1,020,000. For additional information on debt, see Note 17 to the basic financial statements.

CURRENT ISSUES

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes. Management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (approximately 71.4 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a school district's property tax wealth.

Considered a mid-wealth school district, the Gallia-Jackson-Vinton Joint Vocational School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the School District is dependent upon property taxes and State funding. State funding does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding from property taxes to meet inflation. Careful financial planning has permitted the School District to provide a quality education for our students.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional information, contact Stephanie Rife, Treasurer at Gallia-Jackson-Vinton Joint Vocational School District, P.O. Box 157, Rio Grande, Ohio 45674.

Gallia-Jackson-Vinton Joint Vocational School District, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,248,175	\$2,368,754	\$12,616,929
Accrued Interest Receivable	196	0	196
Accounts Receivable	5,276	19,077	24,353
Intergovernmental Receivable	210,282	86,845	297,127
Materials and Supplies Inventory	24,147	0	24,147
Inventory Held for Resale	6,244	0	6,244
Property Taxes Receivable	3,498,162	0	3,498,162
Prepaid Items	41,366	1,794	43,160
Nondepreciable Capital Assets	115,742	0	115,742
Depreciable Capital Assets, Net	17,977,136	111,424	18,088,560
<i>Total Assets</i>	<u>32,126,726</u>	<u>2,587,894</u>	<u>34,714,620</u>
Deferred Outflows of Resources			
Pension	3,543,047	1,132,630	4,361,045
OPEB	126,680	76,865	151,900
<i>Total Deferred Outflows of Resources</i>	<u>3,669,727</u>	<u>1,209,495</u>	<u>4,512,945</u>
Liabilities			
Accounts Payable	76,590	9,410	86,000
Accrued Wages and Benefits Payable	809,864	60,740	870,604
Contracts Payable	1,610	0	1,610
Accrued Interest Payable	7,910	0	7,910
Intergovernmental Payable	124,182	10,553	134,735
Matured Compensated Absences Payable	1,404	0	1,404
Accrued Vacation Leave Payable	45,829	698	46,527
Claims Payable	21,164	0	21,164
Long-Term Liabilities:			
Due within One Year	204,000	0	204,000
Due in More than One Year:			
Net Pension Liability (See Note 15)	10,127,896	2,353,765	12,481,661
Net OPEB Liability (See Note 16)	2,214,416	434,500	2,648,916
Other Amounts Due in More Than One Year	1,317,696	10,752	1,328,448
<i>Total Liabilities</i>	<u>14,952,561</u>	<u>2,880,418</u>	<u>17,832,979</u>
Deferred Inflows of Resources			
Property Taxes	2,910,190	0	2,910,190
Pension	862,557	141,728	689,653
OPEB	350,842	51,642	350,839
<i>Total Deferred Inflows of Resources</i>	<u>4,123,589</u>	<u>193,370</u>	<u>3,950,682</u>
Net Position			
Net Investment in Capital Assets	17,072,878	111,424	17,184,302
Restricted for:			
Debt Service	219,754	0	219,754
Food Service	159,550	0	159,550
Classroom Facilities	1,007,195	0	1,007,195
Federal Grants	112,034	0	112,034
Unrestricted (Deficit)	(1,851,108)	612,177	(1,238,931)
<i>Total Net Position</i>	<u>\$16,720,303</u>	<u>\$723,601</u>	<u>\$17,443,904</u>

*After deferred inflows and deferred outflows related to the change in internal proportionate share of pension and OPEB related items have been eliminated.

See accompanying notes to the basic financial statements

Gallia-Jackson-Vinton Joint Vocational School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$2,529	\$0	\$0	(\$2,529)	\$0	(\$2,529)
Special	418,301	171,461	452,908	206,068	0	206,068
Vocational	3,021,429	38,124	1,152,145	(1,831,160)	0	(1,831,160)
Adult/Continuing	420,870	0	613,786	192,916	0	192,916
Support Services:						
Pupils	377,895	0	218,519	(159,376)	0	(159,376)
Instructional Staff	520,351	0	118,060	(402,291)	0	(402,291)
Board of Education	153,188	0	0	(153,188)	0	(153,188)
Administration	265,242	14,302	83,805	(167,135)	0	(167,135)
Fiscal	372,310	0	0	(372,310)	0	(372,310)
Business	67,917	0	0	(67,917)	0	(67,917)
Operation and Maintenance of Plant	1,150,392	0	0	(1,150,392)	0	(1,150,392)
Pupil Transportation	19,004	0	0	(19,004)	0	(19,004)
Central	111,213	0	1,800	(109,413)	0	(109,413)
Operation of Non-Instructional Services:						
Food Service Operations	340,903	17,857	301,273	(21,773)	0	(21,773)
Extracurricular Activities	10,973	0	0	(10,973)	0	(10,973)
Interest and Fiscal Charges	26,815	0	0	(26,815)	0	(26,815)
<i>Total Governmental Activities</i>	<u>7,279,332</u>	<u>241,744</u>	<u>2,942,296</u>	<u>(4,095,292)</u>	<u>0</u>	<u>(4,095,292)</u>
Business-Type Activities						
Other Enterprise	11,362	12,935	0	0	1,573	1,573
Adult Education	602,675	1,380,995	289,629	0	1,067,949	1,067,949
<i>Total Business-Type Activities</i>	<u>614,037</u>	<u>1,393,930</u>	<u>289,629</u>	<u>0</u>	<u>1,069,522</u>	<u>1,069,522</u>
<i>Totals</i>	<u>\$7,893,369</u>	<u>\$1,635,674</u>	<u>\$3,231,925</u>	<u>(4,095,292)</u>	<u>1,069,522</u>	<u>(3,025,770)</u>
General Revenues						
Property Taxes Levied for General Purposes				3,042,283	0	3,042,283
Grants and Entitlements not Restricted to Specific Programs				5,636,471	0	5,636,471
Investment Earnings				66,512	0	66,512
Gain on Sale of Capital Assets				3,868	0	3,868
Miscellaneous				87,986	108	88,094
<i>Total General Revenues</i>				<u>8,837,120</u>	<u>108</u>	<u>8,837,228</u>
<i>Change in Net Position</i>				4,741,828	1,069,630	5,811,458
<i>Net Position at Beginning of Year</i> <i>Restated (See Note 3)</i>				<u>11,978,475</u>	<u>(346,029)</u>	<u>11,632,446</u>
<i>Net Position at End of Year</i>				<u>\$16,720,303</u>	<u>\$723,601</u>	<u>\$17,443,904</u>

See accompanying notes to the basic financial statements

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2018

	General	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,169,625	\$3,973,683	\$1,972,034	\$10,115,342
Receivables:				
Accrued Interest	196	0	0	196
Accounts	5,276	0	0	5,276
Intergovernmental	16,864	0	193,418	210,282
Interfund	143,582	0	34,444	178,026
Taxes	3,498,162	0	0	3,498,162
Materials and Supplies Inventory	22,852	0	1,295	24,147
Inventory Held for Resale	0	0	6,244	6,244
Prepaid Items	8,798	0	32,568	41,366
<i>Total Assets</i>	<u>\$7,865,355</u>	<u>\$3,973,683</u>	<u>\$2,240,003</u>	<u>\$14,079,041</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$70,764	\$0	\$5,826	\$76,590
Accrued Wages and Benefits Payable	690,579	0	119,285	809,864
Intergovernmental Payable	100,665	0	23,517	124,182
Contracts Payable	0	0	1,610	1,610
Matured Compensated Absences	1,404	0	0	1,404
Interfund Payable	34,444	0	143,582	178,026
<i>Total Liabilities</i>	<u>897,856</u>	<u>0</u>	<u>293,820</u>	<u>1,191,676</u>
Deferred Inflows of Resources				
Property Taxes	2,910,190	0	0	2,910,190
Unavailable Revenue	486,102	0	142,927	629,029
<i>Total Deferred Inflows of Resources</i>	<u>3,396,292</u>	<u>0</u>	<u>142,927</u>	<u>3,539,219</u>
Fund Balances				
Nonspendable	31,650	0	33,863	65,513
Restricted	0	0	1,382,890	1,382,890
Committed	116,617	0	0	116,617
Assigned	3,422,940	3,973,683	500,000	7,896,623
Unassigned (Deficit)	0	0	(113,497)	(113,497)
<i>Total Fund Balances</i>	<u>3,571,207</u>	<u>3,973,683</u>	<u>1,803,256</u>	<u>9,348,146</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$7,865,355</u>	<u>\$3,973,683</u>	<u>\$2,240,003</u>	<u>\$14,079,041</u>

See accompanying notes to the basic financial statements

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

Reconciliation of Total Governmental Fund Balances

to Net Position of Governmental Activities

June 30, 2018

Total Governmental Fund Balances		\$9,348,146
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,092,878
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Delinquent Property Taxes	481,460	
Tuition and Fees	4,642	
Intergovernmental Revenues	<u>142,927</u>	629,029
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and the liabilities of the internal service fund are included in governmental activities in the statement of net position.		111,669
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	3,543,047	
Deferred Outflows - OPEB	126,680	
Deferred Inflows - Pension	(862,557)	
Deferred Inflows - OPEB	(350,842)	
Net Pension Liability	(10,127,896)	
Net OPEB Liability	<u>(2,214,416)</u>	(9,885,984)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Qualified Zone Academy Bonds	(1,020,000)	
Accrued Interest Payable	(7,910)	
Sick Leave Benefits Payable	(501,696)	
Accrued Vacation Leave Payable	<u>(45,829)</u>	<u>(1,575,435)</u>
 Net Position of Governmental Activities		 <u><u>\$16,720,303</u></u>

See accompanying notes to the basic financial statements

Gallia-Jackson-Vinton Joint Vocational School District, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,012,999	\$0	\$0	\$3,012,999
Intergovernmental	6,671,825	0	1,803,714	8,475,539
Investment Earnings	66,512	0	918	67,430
Tuition and Fees	35,591	0	200	35,791
Customer Sales and Services	2,483	0	201,352	203,835
Rent	856	0	0	856
Extracurricular Activities	540	0	0	540
Miscellaneous	87,986	0	0	87,986
<i>Total Revenues</i>	<u>9,878,792</u>	<u>0</u>	<u>2,006,184</u>	<u>11,884,976</u>
Expenditures				
Current:				
Instruction:				
Regular	3,963	0	0	3,963
Special	0	0	667,743	667,743
Vocational	5,566,417	0	140,016	5,706,433
Adult/Continuing	0	0	586,620	586,620
Support Services:				
Pupils	417,975	0	210,742	628,717
Instructional Staff	655,489	0	89,483	744,972
Board of Education	153,657	0	0	153,657
Administration	505,332	0	90,616	595,948
Fiscal	375,495	0	0	375,495
Business	63,153	0	0	63,153
Operation and Maintenance of Plant	908,541	29,060	174,465	1,112,066
Pupil Transportation	15,643	0	0	15,643
Central	106,175	0	1,800	107,975
Operation of Non-Instructional Services:				
Food Service Operations	0	0	353,963	353,963
Extracurricular Activities	18,770	0	0	18,770
Debt Service:				
Principal Retirement	0	0	204,000	204,000
Interest and Fiscal Charges	0	0	28,397	28,397
<i>Total Expenditures</i>	<u>8,790,610</u>	<u>29,060</u>	<u>2,547,845</u>	<u>11,367,515</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,088,182</u>	<u>(29,060)</u>	<u>(541,661)</u>	<u>517,461</u>
Other Financing Sources (Uses)				
Transfers In	0	0	911,355	911,355
Proceeds from Sale of Capital Assets	22,376	0	0	22,376
Transfers Out	(1,011,355)	0	0	(1,011,355)
<i>Total Other Financing Sources (Uses)</i>	<u>(988,979)</u>	<u>0</u>	<u>911,355</u>	<u>(77,624)</u>
<i>Net Change in Fund Balance</i>	99,203	(29,060)	369,694	439,837
<i>Fund Balances at Beginning of Year</i>	<u>3,472,004</u>	<u>4,002,743</u>	<u>1,433,562</u>	<u>8,908,309</u>
<i>Fund Balances at End of Year</i>	<u>\$3,571,207</u>	<u>\$3,973,683</u>	<u>\$1,803,256</u>	<u>\$9,348,146</u>

See accompanying notes to the basic financial statements

Gallia-Jackson-Vinton Joint Vocational School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds \$439,837

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Asset Additions	504,291	
Depreciation Expense	<u>(730,113)</u>	(225,822)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Gain on Disposal of Capital Assets	3,868	
Proceeds from Sale of Capital Assets	<u>(22,376)</u>	(18,508)

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

Delinquent Property Taxes	29,284	
Tuition and Fees	722	
Intergovernmental Revenues	<u>102,310</u>	132,316

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 204,000

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	697,647	
OPEB	<u>21,022</u>	718,669

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

Pension	3,163,381	
OPEB	<u>368,010</u>	3,531,391

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, and interest expenditure is reported when due. 1,582

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities: 815

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

Sick Leave Benefits Payable	(22,214)	
Vacation Leave Payable	<u>(20,238)</u>	(42,452)

Change in Net Position of Governmental Activities \$4,741,828

See accompanying notes to the basic financial statements

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*

General Fund

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,074,180	\$3,090,395	\$3,090,395	\$0
Intergovernmental	6,221,305	6,713,248	6,713,248	0
Investment Earnings	60,000	66,465	66,465	0
Rent	100	856	856	0
Extracurricular Activities	600	540	540	0
Miscellaneous	0	83,977	83,977	0
<i>Total Revenues</i>	<u>9,356,185</u>	<u>9,955,481</u>	<u>9,955,481</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	19,093	9,632	9,632	0
Vocational	5,951,385	5,636,618	5,636,618	0
Support Services:				
Pupils	447,624	405,596	405,596	0
Instructional Staff	1,158,349	659,946	659,946	0
Board of Education	152,053	175,947	175,947	0
Administration	546,424	496,302	496,302	0
Fiscal	420,031	376,255	376,255	0
Business	64,293	61,440	61,440	0
Operation and Maintenance of Plant	1,273,073	988,428	988,477	(49)
Pupil Transportation	78,855	26,621	26,621	0
Central	125,100	115,300	115,300	0
Extracurricular Activities	28,975	17,989	17,989	0
<i>Total Expenditures</i>	<u>10,265,255</u>	<u>8,970,074</u>	<u>8,970,123</u>	<u>(49)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(909,070)</u>	<u>985,407</u>	<u>985,358</u>	<u>(49)</u>
Other Financing Sources (Uses)				
Advances In	95,100	98,047	98,047	0
Proceeds from Sale of Capital Assets	(4,188)	22,376	22,376	0
Refund of Prior Year Expenditures	5,000	5,323	5,323	0
Refund of Prior Year Receipt	(2,000)	0	0	0
Transfers Out	(2,909,582)	(1,011,355)	(1,011,355)	0
Advances Out	(200,000)	(152,941)	(152,941)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,015,670)</u>	<u>(1,038,550)</u>	<u>(1,038,550)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(3,924,740)</u>	<u>(53,143)</u>	<u>(53,192)</u>	<u>(49)</u>
<i>Fund Balance at Beginning of Year</i>	<u>3,369,377</u>	<u>3,369,377</u>	<u>3,369,377</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>484,152</u>	<u>484,152</u>	<u>484,152</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>(\$71,211)</u>	<u>\$3,800,386</u>	<u>\$3,800,337</u>	<u>(\$49)</u>

See accompanying notes to the basic financial statements

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

Statement of Fund Net Position

Proprietary Funds

June 30, 2018

	Business-Type Activities			Governmental
	Adult Education	Other Enterprise Fund	Total Enterprise Funds	Activities
				Internal Service
Assets				
Current :				
Equity in Pooled Cash and Cash Equivalents	\$2,253,766	\$114,988	\$2,368,754	\$132,833
Accounts Receivable	15,303	3,774	19,077	0
Intergovernmental Receivable	86,845	0	86,845	0
Prepaid Items	1,794	0	1,794	0
<i>Total Current Assets</i>	<u>2,357,708</u>	<u>118,762</u>	<u>2,476,470</u>	<u>132,833</u>
Noncurrent:				
Depreciable Capital Assets, Net	111,424	0	111,424	0
<i>Total Assets</i>	<u>2,469,132</u>	<u>118,762</u>	<u>2,587,894</u>	<u>132,833</u>
Deferred Outflows of Resources				
Pension	1,135,701	0	1,135,701	0
OPEB	76,865	0	76,865	0
<i>Total Deferred Outflows of Resources</i>	<u>1,212,566</u>	<u>0</u>	<u>1,212,566</u>	<u>0</u>
Liabilities				
Current:				
Accounts Payable	9,410	0	9,410	0
Accrued Wages and Benefits Payable	60,740	0	60,740	0
Intergovernmental Payable	10,533	20	10,553	0
Accrued Vacation Leave Payable	698	0	698	0
Claims Payable	0	0	0	21,164
<i>Total Current Liabilities</i>	<u>81,381</u>	<u>20</u>	<u>81,401</u>	<u>21,164</u>
Long-Term:				
Compensated Absences Payable	10,752	0	10,752	0
Net Pension Liability (See Note 15)	2,353,765	0	2,353,765	0
Net OPEB Liability (See Note 16)	434,500	0	434,500	0
<i>Total Long-term Liabilities</i>	<u>2,799,017</u>	<u>0</u>	<u>2,799,017</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,880,398</u>	<u>20</u>	<u>2,880,418</u>	<u>21,164</u>
Deferred Inflows of Resources				
Pension	144,799	0	144,799	0
OPEB	51,642	0	51,642	0
<i>Total Deferred Inflows of Resources</i>	<u>196,441</u>	<u>0</u>	<u>196,441</u>	<u>0</u>
Net Position				
Net Investment in Capital Assets	111,424	0	111,424	0
Unrestricted	493,435	118,742	612,177	111,669
<i>Total Net Position</i>	<u>\$604,859</u>	<u>\$118,742</u>	<u>\$723,601</u>	<u>\$111,669</u>

See accompanying notes to the basic financial statements

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Statement of Revenues, Expenses,
and Changes in Fund Net Position
Proprietary Funds
For the Year December 31, 2018*

	Business-Type Activities			Governmental
	Adult Education	Other	Total	Internal Service
		Enterprise Fund	Enterprise Funds	
Operating Revenues				
Tuition and Fees	\$798,489	\$0	\$798,489	\$0
Sales	170,380	0	170,380	0
Charges for Services	412,126	12,935	425,061	0
Other Operating Revenues	108	0	108	1,682
<i>Total Operating Revenues</i>	<u>1,381,103</u>	<u>12,935</u>	<u>1,394,038</u>	<u>1,682</u>
Operating Expenses				
Salaries and Wages	1,082,790	0	1,082,790	0
Fringe Benefits:				
Pension Expense	(949,779)	0	(949,779)	0
OPEB Expense	(97,839)	0	(97,839)	0
Other Fringe Benefits	204,479	0	204,479	0
Purchased Services	112,759	0	112,759	5,388
Materials and Supplies	152,878	10,578	163,456	0
Depreciation	25,647	0	25,647	0
Claims	0	0	0	95,322
Other Operating Expenses	71,740	784	72,524	157
<i>Total Operating Expenses</i>	<u>602,675</u>	<u>11,362</u>	<u>614,037</u>	<u>100,867</u>
<i>Operating Income (Loss)</i>	778,428	1,573	780,001	(99,185)
Non-Operating Revenues				
Federal and State Subsidies	289,629	0	289,629	0
Income (Loss) before Transfers	1,068,057	1,573	1,069,630	(99,185)
Transfers	0	0	0	100,000
<i>Change in Net Position</i>	1,068,057	1,573	1,069,630	815
<i>Net Position at Beginning of Year Restated (See Note 3)</i>	<u>(463,198)</u>	<u>117,169</u>	<u>(346,029)</u>	<u>110,854</u>
<i>Net Position at End of Year</i>	<u>\$604,859</u>	<u>\$118,742</u>	<u>\$723,601</u>	<u>\$111,669</u>

See accompanying notes to the basic financial statements

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Business-Type Activities			Governmental
	Adult Education	Other	Total	Activities
		Enterprise Fund	Enterprise Funds	Internal Service
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$608,909	\$12,390	\$621,299	\$0
Cash Received from Tuition and Fees	747,704	0	747,704	0
Cash Payments for Employee Services and Benefits	(1,330,008)	0	(1,330,008)	0
Cash Payments to Suppliers for Goods and Services	(283,395)	(10,578)	(293,973)	(5,388)
Cash Payments for Claims	0	0	0	(90,142)
Other Operating Revenues	0	0	0	1,682
Other Operating Expenses	(71,943)	(764)	(72,707)	(157)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(328,733)</u>	<u>1,048</u>	<u>(327,685)</u>	<u>(94,005)</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	289,629	0	289,629	100,000
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(83,029)	0	(83,029)	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(122,133)	1,048	(121,085)	5,995
<i>Cash and Cash Equivalents at Beginning of Year</i>	2,375,899	113,940	2,489,839	126,838
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$2,253,766</u>	<u>\$114,988</u>	<u>\$2,368,754</u>	<u>\$132,833</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
<i>Operating Income (Loss)</i>	\$778,428	\$1,573	\$780,001	(\$99,185)
<i>Adjustments:</i>				
Depreciation	25,647	0	25,647	0
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(8,888)	(545)	(9,433)	0
Intergovernmental Receivable	(15,602)	0	(15,602)	0
Prepaid Items	(1,138)	0	(1,138)	0
Decrease in Deferred Outflow - OPEB	12,379	0	12,379	0
Decrease in Deferred Outflow- Pension	383,418	0	383,418	0
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	(17,699)	0	(17,699)	0
Intergovernmental Payable	(1,331)	20	(1,311)	0
Claims Payable	0	0	0	5,180
Accrued Wages and Benefits Payable	(23,385)	0	(23,385)	0
Accrued Vacation Leave Payable	95	0	95	0
Net OPEB Liability	(98,923)	0	(98,923)	0
Net Pension Liability	(1,111,259)	0	(1,111,259)	0
Sick Leave Benefits Payable	(17,242)	0	(17,242)	0
Decrease in Deferred Inflow- OPEB	(11,295)	0	(11,295)	0
Decrease in Deferred Inflow- Pension	(221,938)	0	(221,938)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$328,733)</u>	<u>\$1,048</u>	<u>(\$327,685)</u>	<u>(\$94,005)</u>

See accompanying notes to the basic financial statements

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 1 - Description of the School District and Reporting Entity

The Gallia-Jackson-Vinton Joint Vocational School District (the School District) is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of nine members from the six participating school districts located within Gallia, Jackson, and Vinton Counties. The Board consists of five members from the three city school districts and four members from the three local school districts. The School District exposes students to job training leading to employment upon graduation from high school.

The School District was formed in 1970. The buildings are located on a 47.63 acre site and were opened for instruction in 1975. It is staffed by 25 classified employees, 55 certificated employees, and 14 administrative employees who provide services to 1,536 high school students and 309 adult students through the adult education department evening classes and customized training for business and industry.

Reporting Entity

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. 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, and student related activities of the School District.

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

The School District participates in the Metropolitan Educational Technology Association, the Coalition of Rural and Appalachian Schools, and the Ohio Coalition for Equity and Adequacy in School Funding, which are defined as jointly governed organizations, and the Ohio School Plan and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which are defined as insurance purchasing pools. These organizations are presented in Notes 18 and 19.

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.

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the stand-alone government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

B. Fund Accounting

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

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

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

Permanent Improvements Capital Projects Fund The Permanent Improvements Capital Projects Fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service.

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's only major enterprise fund accounts for the operation of the School District's adult education program.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounted for the operation of the School District's self-insurance program for employee medical and surgical claims.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund, which accounts for student loans. This fund had no fiscal year end balance.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the 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 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, fees, and charges for services.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, tuition and fees, and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 15 and 16)

Expenses/Expenditures On the accrual basis, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

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

During fiscal year 2018, investments were limited to non-negotiable certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue is credited to the General Fund and the Lunchroom Special Revenue Fund.

Investment earnings credited to the General Fund during fiscal year 2018 amounted to \$66,512, which includes \$42,960 assigned from other School District funds.

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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

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

G. Inventory

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

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements. Capital assets utilized by the Adult Education Enterprise Fund are reported both in the business-type activity column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Buildings and Improvements	50 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 20 years
Textbooks	5 - 20 years

I. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Intefund balance amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension and OPEB items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "accrued vacation leave payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned.

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 employees with ten or more years of current service with the School District.

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

In general, governmental fund payables, net pension liability, and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

M. Fund Balance

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

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

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or State statute.

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balances.

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

N. Net Position

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

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

O. Pensions/Other Postemployment Benefits (OPEB)

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for adult education programs and rotary activity. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

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Q. Estimates

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

R. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the function and object level and has the authority to allocate appropriations to the function and object level.

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

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

Note 3 - Change in Accounting Principle and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure.

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At June 30, 2017, the School District's capital assets were understated, which resulted in a change to beginning balance.

The implementation of this pronouncement and the capital asset adjustment had the following effect on net position as reported June 30, 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Net Position June 30, 2017	\$14,175,525	\$161,087
Adjustments:		
Net OPEB Liability	(2,844,982)	(508,627)
Deferred Outflow - Payments Subsequent to Measurement Date	17,372	1,511
Net Investment in Capital Assets	<u>630,560</u>	<u>0</u>
Restated Net Position June 30, 2017	<u><u>\$11,978,475</u></u>	<u><u>(\$346,029)</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 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	General Fund	Permanent Improvements Fund	Other Governmental Funds	Total
Nonspendable:				
Prepays	\$8,798	\$0	\$32,568	\$41,366
Materials and Supplies Inventory	22,852	0	1,295	24,147
<i>Total Nonspendable</i>	<u>31,650</u>	<u>0</u>	<u>33,863</u>	<u>65,513</u>
Restricted for:				
Debt Service	0	0	227,664	227,664
Food Service	0	0	167,873	167,873
Classroom Facilities	0	0	975,564	975,564
Federal Grants	0	0	11,789	11,789
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>1,382,890</u>	<u>1,382,890</u>
Committed to:				
Scholarships	439	0	0	439
Equipment Purchases	116,178	0	0	116,178
<i>Total Committed</i>	<u>116,617</u>	<u>0</u>	<u>0</u>	<u>116,617</u>
Assigned to:				
Fiscal Year 2019 Appropriations	3,242,641	0	0	3,242,641
School Support Services	17,343	0	0	17,343
Purchases on Order	162,956	0	0	162,956
Capital Improvements	0	3,973,683	500,000	4,473,683
<i>Total Assigned</i>	<u>3,422,940</u>	<u>3,973,683</u>	<u>500,000</u>	<u>7,896,623</u>
Unassigned (Deficit):	0	0	(113,497)	(113,497)
<i>Total Fund Balances</i>	<u><u>\$3,571,207</u></u>	<u><u>\$3,973,683</u></u>	<u><u>\$1,803,256</u></u>	<u><u>\$9,348,146</u></u>

Note 5 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2018:

	<u>Fund Balances</u>
Special Revenue Funds:	
Special Education Consortium	\$69,929
Perkins	42,779
	<u>\$112,708</u>

These deficits resulted from payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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Note 6 - Budgetary Basis of Accounting

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

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a commitment or assignment of fund balance (GAAP basis).
4. Advances In and Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
6. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

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Net Change in Fund Balance

GAAP Basis	\$99,203
Net Adjustment for:	
Revenue Accruals	120,851
Expenditure Accruals	66,231
Prepaid Items:	
Beginning of Fiscal Year	69,712
End of Fiscal Year	(8,798)
To reclassify excess of expenditures over revenues into financial statement fund type	6,057
Advances In	98,047
Advances Out	(152,941)
Encumbrances	<u>(351,554)</u>
Budget Basis	<u><u>(\$53,192)</u></u>

Note 7 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) and by a letter of credit from the Federal Home Loan Bank of Cincinnati.

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National

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- Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
 4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
 5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations or political subdivisions of the State of Ohio;
 6. The State Treasurer's investment pool (STAR Ohio);
 7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
 8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected with real property taxes. Public utility real property is assessed at thirty-five

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percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Gallia, Jackson, Vinton, and Lawrence Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2018, was \$106,512 and is recognized as revenue in the General Fund. The amount available as an advance to the General Fund at June 30, 2017, was \$183,908.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$933,978,140	58.23%	\$933,031,030	59.37%
Commercial/Industrial and Public Utility Real	215,512,200	13.44%	218,754,160	13.92%
Public Utility Personal	454,340,240	28.33%	419,758,340	26.71%
Total	\$1,603,830,580	100.00%	\$1,571,543,530	100.00%
Tax Rate per \$1,000 of assessed valuation	\$2.00		\$2.00	

Note 9 - Interfund Activity

A. Balances

Internal Balances – Change in Proportionate Share

The School District uses an internal proportionate share to allocate its net pension/OPEB liability and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental

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and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the School District as a whole.

Eliminations made in the total column of the entity wide statement of net position related to pension include deferred outflows of resources for the business-type activities (related to the Adult Education Enterprise Fund) and deferred inflows of resources for the governmental type activities in the amount of \$314,632.

Eliminations made in the total column of the entity wide statement of net position related to OPEB include deferred outflows of resources for the business-type activities (related to the Adult Education Enterprise Fund) and deferred inflows of resources for the governmental type activities in the amount of \$51,645.

Other Internal Balances

Interfund balances at June 30, 2018, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

	Interfund Receivables	Interfund Payables
General Fund	<u>\$143,582</u>	<u>\$0</u>
Other Governmental Funds:		
Adult Basic Literacy Education	0	40,313
Carl D. Perkins	0	50,613
Special Education Consortium	0	2,656
Miscellaneous Federal Grants	0	50,000
Total Other Governmental Funds	<u>0</u>	<u>143,582</u>
Total	<u><u>\$143,582</u></u>	<u><u>\$143,582</u></u>

B. Transfers

The following transfers were made during fiscal year 2018:

<u>Transfer Out</u>	<u>Capital Projects</u>	<u>Bond Retirement</u>	<u>Internal Service</u>	<u>Classroom Facilities</u>	<u>Total</u>
General Fund	\$500,000	\$227,664	\$100,000	\$183,691	\$1,011,355

The General Fund transferred \$183,691 to the Classroom Maintenance Special Revenue to meet the School District's facilities maintenance requirements as part of the Ohio School Facilities Commission funding. \$227,664 was transferred from the General Fund to the Bond Retirement Fund for the purpose of debt payments. \$500,000 was transferred from the General Fund to the Permanent Improvement Fund for the purpose of capital improvements. \$100,000 was transferred from the General Fund to the Self-Insurance Internal Service Fund.

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Notes to the Basic Financial Statements

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Note 10 - Significant Commitments

A. Contractual Commitments

As of June 30, 2018, the School District had a contractual purchase commitment for architect services for building entrance renovations as follows:

Fund	Contract Amount	Amount Expended	Balance at 06/30/18
Classroom Facilities Maintenance	\$6,745	\$5,040	\$1,705

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Activities:	
General Fund	\$351,554
Permanent Improvement	3,109
Other Governmental Funds	<u>139,923</u>
Total Governmental Funds	<u>494,586</u>
Business-Type Activities:	
Adult Education Enterprise Fund	75,741
Self Insurance Internal Service Fund	<u>70,602</u>
Total Business-Type Funds	<u>146,343</u>
Total	<u><u>\$640,929</u></u>

Note 11 - Receivables

Receivables at June 30, 2018, consisted of property taxes, accrued interest, accounts, interfund, and intergovernmental grants. 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. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$481,460 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

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	<u>Amounts</u>
Governmental Activities:	
Adult Basic Literacy Education	\$78,258
Carl Perkins	65,160
Rural Education Assistance	50,000
Foundation	3,669
Miscellaneous	<u>13,195</u>
Total Governmental Activities	<u>210,282</u>
Business-Type Activities:	
WIA/TANF	44,840
Tuition	41,897
Miscellaneous	<u>108</u>
Total Business-Type Activities	<u>86,845</u>
Total	<u><u>\$297,127</u></u>

Note 12 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

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	Balance 6/30/2017 Restated	Additions	Deductions	Balance 6/30/2018
Governmental Activities:				
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$110,702	\$0	\$0	\$110,702
Construction in Progress	0	5,040	0	5,040
Total Capital Assets not being depreciated	<u>110,702</u>	<u>5,040</u>	<u>0</u>	<u>115,742</u>
Depreciable Capital Assets:				
Buildings and Improvements	23,838,293	0	0	23,838,293
Furniture and Equipment	2,863,933	499,251	(177,949)	3,185,235
Vehicles	453,100	0	0	453,100
Textbooks	105,839	0	0	105,839
Total Capital Assets being Depreciated	<u>27,261,165</u>	<u>499,251</u>	<u>(177,949)</u>	<u>27,582,467</u>
Less Accumulated Depreciation				
Buildings and Improvements	(6,656,492)	(490,451)	0	(7,146,943)
Furniture and Equipment	(1,963,933)	(213,207)	159,441	(2,017,699)
Vehicles	(308,395)	(26,455)	0	(334,850)
Textbooks	(105,839)	0	0	(105,839)
Total Accumulated Depreciation	<u>(9,034,659)</u>	<u>(730,113) *</u>	<u>159,441</u>	<u>(9,605,331)</u>
Total Capital Assets being Depreciated, Net	<u>18,226,506</u>	<u>(230,862)</u>	<u>(18,508)</u>	<u>17,977,136</u>
Governmental Activities Capital Assets, Net	<u>\$18,337,208</u>	<u>(\$225,822)</u>	<u>(\$18,508)</u>	<u>\$18,092,878</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$61,574
Vocational	422,351
Adult/Continuing	47,487
Support Services:	
Pupils	35,649
Instructional Staff	26,370
Administration	26,155
Fiscal	12,996
Business	7,187
Operation and Maintenance of Plant	64,631
Transportation	5,019
Central	3,238
Food Service	17,456
Total Depreciation Expense	<u>\$730,113</u>

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	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
Business-Type Activity:				
Capital Assets:				
Furniture and Equipment	\$324,946	\$0	\$0	\$324,946
Less Accumulated Depreciation				
Furniture and Equipment	(187,875)	(25,647)	0	(213,522)
Business-Type Activity Capital Assets, Net	<u>\$137,071</u>	<u>(\$25,647)</u>	<u>\$0</u>	<u>\$111,424</u>

Note 13 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays annual premium to the OSP (See Note 19). The types and amounts of coverage provided by the OSP are as follows:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$42,073,782
General Liability:		
Each Occurrence		5,000,000
Aggregate Limit		7,000,000
Sexual Abuse		5,000,000
Products - Completed Operations Aggregate Limit		5,000,000
Personal and Advertising Injury Limit - Each Offense		5,000,000
Errors and Omissions:		
Each Occurrence	2,500	5,000,000
Aggregate Limit		7,000,000
Employers' Liability- Stop Gap:		
Each Accident		5,000,000
By Disease		5,000,000
Fiduciary Liability:		
Each Fiduciary Claim Limit	2,500	5,000,000
Aggregate Limit		7,000,000
Vehicles:		
Bodily Injury:		
Liability	1,000	5,000,000
Uninsured Motorist		1,000,000

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

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B. Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Medical Expense Reimbursement Plan

The School District has a Medical Expense Reimbursement Plan, Max 105, to reimburse eligible employees (those that are participating in the School District's health plan) for the portion of their and their dependent's health claims. The Max 105 program is a combination of benefits that are provided by the School District, United Healthcare, and Patrick Benefits Administrators. The School District's health plan with United Healthcare covers the employees' major medical costs. The policy is a high deductible plan. The Max 105 program covers the difference between the high deductible plan with United Healthcare and the employees' personal deductible.

The purpose of the Max 105 program is to reimburse employees covered under the Max 105 program for a portion of the uninsured medical expenses they incur each year while they are employed with the School District and the Max 105 remains in effect. It is to help the employee and their dependents receive the medical care needed in the most cost-effective manner possible.

The claims paid are those submitted after the employee's deductible amount has been reached, but before the employer's health plan deductible with Anthem Blue Cross/Blue Shield has been reached. Claims covered are for amounts applied to the medical deductible and co-insurance expenses incurred during the plan year, up to the employer's health plan annual deductible amount with Anthem Blue Cross/Blue Shield.

Changes in claims activity for the current and preceding fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2017	\$23,138	\$63,779	\$70,933	\$15,984
2018	15,984	95,322	90,142	21,164

Note 14 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. No more than two years of vacation is permitted to be carried forward and should be used in the fiscal year following accrual. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per

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month. Sick leave may be accumulated up to 240 days (260 days for 12 month employees). Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 60 days for all employees. In addition, teachers and other certified employees are given one additional day for each five years of service from fifteen (15) to thirty-five (35) years, and classified employees are given one additional day for each five years of service from fifteen (15) to thirty-five (35) years.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to all full-time employees through Anthem Blue Cross/Blue Shield in the amount of \$40,000.

The School District contracts with Anthem Blue Cross/Blue Shield for hospitalization and major medical insurance for all full-time employees. The School District pays monthly premiums of \$1,810.04 for family coverage, \$1,288.78 for employee/spouse coverage, \$989.75 for employee/child coverage, and \$586.34 for individual coverage. This coverage includes prescription drug insurance for the employees, utilizing a retail prescription deductible of \$10 for formulary generic, \$35 for formulary brand, and \$70 for non-formulary. A mail order deductible of \$20 for formulary generic, \$105 for formulary brand, and \$210 for non-formulary is also available.

Note 15 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

A. Net Pension Liability/Net OPEB Liability

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

The net pension/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 these estimates annually.

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 and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the

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health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years 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

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System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$143,679 for fiscal year 2018. Of this amount, \$11,093 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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.

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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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$715,775 for fiscal year 2018. Of this amount, \$88,309 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.03290410%	0.04493965%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.03442480%</u>	<u>0.04388449%</u>	
Change in Proportionate Share	<u>0.00152070%</u>	<u>-0.00105516%</u>	
Proportionate Share of the Net			<u>Total</u>
Pension Liability	\$2,056,806	\$10,424,855	\$12,481,661
Pension Expense	(\$43,996)	(\$3,907,357)	(\$3,951,353)

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$88,518	\$402,559	\$491,077
Changes of assumptions	106,359	2,280,030	2,386,389
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	90,036	534,089	624,125
School District contributions subsequent to the measurement date	<u>143,679</u>	<u>715,775</u>	<u>859,454</u>
Total Deferred Outflows of Resources	<u><u>\$428,592</u></u>	<u><u>\$3,932,453</u></u>	<u><u>\$4,361,045</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$84,020	\$84,020
Net difference between projected and actual earnings on pension plan investments	\$9,763	\$344,032	\$353,795
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>251,838</u>	<u>251,838</u>
Total Deferred Inflows of Resources	<u><u>\$9,763</u></u>	<u><u>\$679,890</u></u>	<u><u>\$689,653</u></u>

\$859,454 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$120,530	\$587,075	\$707,605
2020	152,439	1,055,078	1,207,517
2021	50,131	775,475	825,606
2022	<u>(47,950)</u>	<u>119,160</u>	<u>71,210</u>
Total	<u><u>\$275,150</u></u>	<u><u>\$2,536,788</u></u>	<u><u>\$2,811,938</u></u>

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Career Center's proportionate share of the net pension liability	\$2,854,312	\$2,056,806	\$1,388,732

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

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	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that 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. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Career Center's proportionate share of the net pension liability	\$14,943,674	\$10,424,855	\$6,618,426

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2018, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

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Note 16 - Defined Benefit OPEB Plans

See Note 15 for a description of the net OPEB liability

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the School District's surcharge obligation was \$17,768.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$23,089 for fiscal year 2018. Of this amount, \$18,179 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans

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offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

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

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability Prior Measurement Date	0.03333690%	0.04493965%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.03490300%</u>	<u>0.04388449%</u>	
Change in Proportionate Share	<u>0.00156610%</u>	<u>-0.00105516%</u>	
Proportionate Share of the Net OPEB Liability	\$936,705	\$1,712,211	<u>Total</u> \$2,648,916
OPEB Expense	\$66,753	(\$530,535)	(\$463,782)

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$98,839	\$98,839
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	29,972	0	29,972
School District contributions subsequent to the measurement date	<u>23,089</u>	<u>0</u>	<u>23,089</u>
Total Deferred Outflows of Resources	<u><u>\$53,061</u></u>	<u><u>\$98,839</u></u>	<u><u>\$151,900</u></u>
Deferred Inflows of Resources			
Changes of assumptions	\$88,888	\$137,924	\$226,812
Net difference between projected and actual earnings on OPEB plan investments	2,474	73,184	75,658
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>48,369</u>	<u>48,369</u>
Total Deferred Inflows of Resources	<u><u>\$91,362</u></u>	<u><u>\$259,477</u></u>	<u><u>\$350,839</u></u>

\$23,089 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	(\$21,965)	(\$32,871)	(\$54,836)
2020	(21,965)	(32,871)	(54,836)
2021	(16,841)	(32,871)	(49,712)
2022	(619)	(32,872)	(33,491)
2023	0	(14,576)	(14,576)
2024	<u>0</u>	<u>(14,577)</u>	<u>(14,577)</u>
Total	<u><u>(\$61,390)</u></u>	<u><u>(\$160,638)</u></u>	<u><u>(\$222,028)</u></u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

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valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

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

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

The most recent experience study was completed for the five year period ended June 30, 2015.

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

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For the Fiscal Year Ended June 30, 2018*

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

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease █ (2.63%)	Current █ Discount Rate (3.63%)	1% Increase █ (4.63%)
School District's proportionate share of the net OPEB liability	\$1,131,190	\$936,705	\$782,623

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$760,066	\$936,705	\$1,170,490

Actuarial Assumptions – STRS

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
School District's proportionate share of the net OPEB liability	\$2,298,616	\$1,712,211	\$1,248,759

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$1,189,571	\$1,712,211	\$2,400,066

Note 17 - Long-Term Obligations

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

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

	Restated Principal Outstanding 6/30/17	Additions	Deductions	Principal Outstanding 6/30/18	Amounts Due in One Year
Governmental Activities:					
2008 Qualified Zone Academy					
Bonds - 2.31%	\$1,224,000		\$204,000	\$1,020,000	\$204,000
Net Pension Liability:					
STRS	12,334,975	0	4,099,341	8,235,634	0
SERS	2,215,615	0	323,353	1,892,262	0
Total Net Pension Liability	14,550,590	0	4,422,694	10,127,896	0
Net OPEB Liability:					
STRS	1,970,775	0	618,128	1,352,647	0
SERS	874,207	0	12,438	861,769	0
Total Net OPEB Liability	2,844,982	0	630,566	2,214,416	0
Sick Leave Benefits Payable	479,482	52,746	30,532	501,696	0
Total Governmental Activities	\$16,254,072	\$52,746	\$4,657,226	\$11,649,592	\$204,000
Business-Type Activities:					
Net Pension Liability					
STRS	\$2,707,680	\$0	\$518,459	\$2,189,221	\$0
SERS	192,662	0	28,118	164,544	0
Total Net Pension Liability	2,900,342	0	546,577	2,353,765	0
Net OPEB Liability					
STRS	432,609	0	73,045	359,564	0
SERS	76,018	0	1,082	74,936	0
Total Net OPEB Liability	508,627	0	74,127	434,500	0
Sick Leave Benefits Payable	27,994	2,943	20,185	10,752	0
Total Business-Type Activities	\$2,928,336	\$2,943	\$566,762	\$2,364,517	\$0

On March 1, 2008, the School District issued \$3,060,000 of qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), for use as the School District's locally funded portion in upgrading existing facilities through the Ohio Schools Facilities Commission. The QZAB matures in 2023. The QZAB was issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Ohio Valley Bank Company, and then subleased back to the School District. The QZAB was issued through a series of annual leases with an initial lease term of fifteen years which includes the right to renew for fifteen successive one-year leases through March 1, 2023, subject to annual appropriations. To satisfy trustee requirements, the School District is required to make annual base rent payments, subject to lease terms and appropriations. Annual base rent requirements to retire the Qualified Zone Academy Bonds outstanding at June 30, 2018, are as follows:

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Fiscal Year Ending June 30,	Principal	Interest
2019	\$204,000	\$23,664
2020	204,000	18,931
2021	204,000	14,198
2022	204,000	9,466
2023	204,000	4,733
	<u>\$1,020,000</u>	<u>\$70,992</u>

Sick leave benefits will be paid from the General Fund; the Food Service, Special Education Consortium, and Perkins Grant Special Revenue Funds; and the Adult Education Enterprise Fund. There are no repayment schedules for the net pension and net OPEB liabilities. However, employer pension contributions are made from the following funds: General Fund, Food Service Fund, Special Education Consortium Fund, Adult Basic Literacy Education Fund, Carl Perkins Fund, and the Adult Education Fund. For additional information related to the net pension and net OPEB liabilities, see Notes 15 and 16.

The School District's overall legal debt margin was \$141,418,693, with an unvoted debt margin of \$1,571,319 at June 30, 2018.

Note 18 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the Southern Ohio Voluntary Education Cooperative (SEOVEC) during fiscal year 2016, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2018, the School District paid \$92,705 for services with META/MEC/SEOVEC. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2018, the School District made a payment of \$325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

C. Ohio Coalition for Equity and Adequacy of School Funding

The Ohio Coalition for Equity and Adequacy of School Funding includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues annually in the amount of \$.50 per pupil, and educational service centers pay dues of \$.05 per pupil. The Ohio Coalition for Equity & Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members and administrators also serve. Several persons serve as ex officio members. Steering Committee members serve without stipend or expense reimbursement from the Coalition. For fiscal year 2018, the School District made a payment of \$312 for a membership fee

Note 19 - Insurance Purchasing Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and is authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint-insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between the OSP and member school districts.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, 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 program.

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

B. Litigation

The School District is currently not party to any legal proceedings.

C. School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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, 2018 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

Note 21 - Set-Asides

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory.

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

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2017	\$0
Current Year Set-Aside Requirement	113,087
Qualifying Expenditures	<u>(659,826)</u>
Totals	<u><u>(\$546,739)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

The School District had qualifying expenditures during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

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Gallia-Jackson-Vinton Joint Vocational School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0344248%	0.0329041%	0.03263960%	0.031905%	0.031905%
School District's Proportionate Share of the Net Pension Liability	\$2,056,806	\$2,408,277	\$1,862,448	\$1,614,695	\$1,897,289
School District's Covered Payroll	\$1,105,914	\$1,037,693	\$1,004,385	\$925,729	\$1,172,809
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	185.98%	232.08%	185.43%	174.42%	161.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available.
An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Gallia-Jackson-Vinton Joint Vocational School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04388449%	0.04493965%	0.04193778%	0.04171913%	0.04171913%
School District's Proportionate Share of the Net Pension Liability	\$10,424,855	\$15,042,655	\$11,590,376	\$10,147,536	\$12,087,679
School District's Covered Payroll	\$4,825,421	\$5,287,857	\$3,841,071	\$4,178,854	\$4,925,569
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.04%	284.48%	301.75%	242.83%	245.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Gallia-Jackson-Vinton Joint Vocational School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.03490300%	0.03333690%
School District's Proportionate Share of the Net OPEB Liability	\$936,705	\$950,225
School District's Covered Payroll	\$1,105,914	\$1,037,693
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.70%	91.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Gallia-Jackson-Vinton Joint Vocational School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.04388449%	0.04493965%
School District's Proportionate Share of the Net OPEB Liability	\$1,712,211	\$2,403,384
School District's Covered Payroll	\$4,825,421	\$5,287,857
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.48%	45.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Gallia-Jackson-Vinton Joint Vocational School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$143,679	\$154,828	\$145,277	\$132,378
Contributions in Relation to the Contractually Required Contribution	<u>(143,679)</u>	<u>(154,828)</u>	<u>(145,277)</u>	<u>(132,378)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,064,289	\$1,105,914	\$1,037,693	\$1,004,385
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$23,089	\$18,883	\$16,835	\$25,513
Contributions in Relation to the Contractually Required Contribution	<u>(23,089)</u>	<u>(18,883)</u>	<u>(16,835)</u>	<u>(25,513)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.17%</u>	<u>1.71%</u>	<u>1.62%</u>	<u>2.54%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.67%</u>	<u>15.71%</u>	<u>15.62%</u>	<u>15.72%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$128,306	\$162,317	\$148,646	\$144,874	\$180,278	\$126,984
(128,306)	(162,317)	(148,646)	(144,874)	(180,278)	(126,984)
\$0	\$0	\$0	\$0	\$0	\$0
\$925,729	\$1,172,809	\$1,105,173	\$1,152,540	\$1,331,448	\$1,290,484
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$17,517	\$18,700	\$20,380	\$31,120	\$22,067	\$73,041
(17,517)	(18,700)	(20,380)	(31,120)	(22,067)	(73,041)
\$0	\$0	\$0	\$0	\$0	\$0
1.89%	1.59%	1.84%	2.70%	1.66%	5.66%
15.75%	15.43%	15.29%	15.27%	15.20%	15.50%

Gallia-Jackson-Vinton Joint Vocational School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$715,775	\$675,559	\$740,300	\$537,750
Contributions in Relation to the Contractually Required Contribution	<u>(715,775)</u>	<u>(675,559)</u>	<u>(740,300)</u>	<u>(537,750)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$5,112,679	\$4,825,421	\$5,287,857	\$3,841,071
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$543,251	\$640,234	\$660,440	\$684,041	\$677,642	\$726,857
<u>(543,251)</u>	<u>(599,976)</u>	<u>(660,440)</u>	<u>(684,041)</u>	<u>(677,642)</u>	<u>(726,857)</u>
<u>\$0</u>	<u>\$40,258</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,178,854	\$4,925,569	\$5,080,308	\$5,261,854	\$5,212,631	\$5,591,208
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$41,789	\$49,346	\$50,803	\$52,619	\$52,126	\$55,912
<u>(41,789)</u>	<u>(49,346)</u>	<u>(50,803)</u>	<u>(52,619)</u>	<u>(52,126)</u>	<u>(55,912)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accountant's compilation report

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014

Gallia-Jackson-Vinton Joint Vocational School District, Ohio

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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 no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

**GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2017/2018	\$8,879
Cash Assistance			
School Breakfast Program	10.553	2017/2018	109,068
National School Lunch	10.555	2017/2018	161,397
Cash Assistance Subtotal			<u>270,465</u>
Total Child Nutrition Cluster			279,344
Child Nutrition Discretionary Grants Limited Availability	10.579	2017	<u>8,649</u>
Total U.S. Department of Agriculture			287,993
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Program</i>			
Student Financial Aid Cluster:			
Federal Pell Grant Program	84.063	2017/2018	419,516
Direct Loans	84.268	2017/2018	548,090
Total Student Financial Aid Cluster			<u>967,606</u>
Rural Education	84.358A	2016	11,491
		2017	58,507
		2018	129
Total Rural Education			<u>70,127</u>
<i>Passed Through Ohio Department of Education</i>			
Adult Education - Basic Grants to States			
Instructional Grant	84.002	2017	5,084
		2018	177,429
Total Adult Education - Basic Grants to States			<u>182,513</u>
Career and Technical Education - Basic Grants to States - Secondary	84.048	2017	33,774
		2018	256,036
Career and Technical Education - Basic Grants to States - Adult	84.048	2017	5,667
		2018	105,117
Total Career and Technical Education - Basic Grants to States			<u>400,594</u>
Total U.S. Department of Education			<u>1,620,840</u>
Total Expenditures of Federal Awards			<u><u>\$1,908,833</u></u>

The accompanying notes are an integral part of this Schedule.

**GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT
GALLIA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Gallia-Jackson-Vinton Joint Vocational School District (the School District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – 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 program that benefitted from the use of those donated food commodities.

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OHIO AUDITOR OF STATE KEITH FABER



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

Gallia-Jackson-Vinton Joint Vocational School District
Gallia County
P.O. Box 157
Rio Grande, Ohio 45674

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 Gallia-Jackson-Vinton Joint Vocational School District, Gallia County, Ohio (the School District) as of and for the year ended June 30, 2018, 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 March 13, 2019, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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 opinions 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 13, 2019



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

Gallia-Jackson-Vinton Joint Vocational School District
Gallia County
P.O. Box 157
Rio Grande, Ohio 45674

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Gallia-Jackson-Vinton Joint Vocational School District's, Gallia County, Ohio (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Gallia-Jackson-Vinton Joint Vocational School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Gallia-Jackson Vinton Joint Vocational School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 13, 2019

**GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	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 weaknesses in internal control 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 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Program (list): <ul style="list-style-type: none"> • Student Financial Aid Cluster CFDA #84.063 and #84.268 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

**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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GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material Weakness for adjusting receipts based on ADM for Special Education Consortium in next fiscal year.	Corrective Action taken and finding is fully corrected.	The ADM for the Special Education Consortium is monitored during the Fiscal Year and the adjustment is now made on the June payment in the current fiscal year.
2017-002	2 CFR Part 200.302(b) – Noncompliance/Material Weakness comment for errors on the Federal Schedule.	Corrective Action taken and finding is fully corrected.	The Treasurer compiles the Federal Schedule by choosing to run the reports without the advances and repayments included to avoid discrepancies in the future.
2017-003	34 CFR § 668.22(g) – Return of Title IV fund forms were calculated incorrectly.	Corrective Action taken and finding is fully corrected.	The Return to Title IV erroneous calculations that were found within the previous audit were found in Spring of 2018 for school year 2016-2017. To ensure the district was compliant moving forward, all R2T4 forms were recalculated for 2017-2018 school year, which resulted in additional returns. Since corrections were being made after the fact, the 45 day return window was not met. This practice has been completely corrected for FY19. The Financial Aid Counselor prepares the R2T4 form within the required timeframe and returns are being made within the 45 day window. The Financial Aid Officer sends the R2T4 form to Campus Ivy for review. Additionally, the Treasurer signs off on all R2T4 forms before any return is processed.

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OHIO AUDITOR OF STATE
KEITH FABER



GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 26, 2019**