



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT
CLERMONT COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2020

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
US Grant Joint Vocational School
718 West Plane Street
Bethel, Ohio 45106

We have reviewed the *Independent Auditor's Report* of the US Grant Joint Vocational School, Clermont County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

January 14, 2021

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U.S. Grant Joint Vocational School District
Clermont County
For the Fiscal Year Ended June 30, 2020
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INDEPENDENT AUDITOR'S REPORT

U.S. Grant Joint Vocational School District
Clermont County
718 West Plane Street
Bethel, Ohio 45106

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of U.S. Grant Joint Vocational School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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, each major fund, and the aggregate remaining fund information of U.S. Grant Joint Vocational School District, Clermont County, Ohio, as of June 30, 2020, and the respective changes in financial position 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 19 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. We did not modify our opinion regarding this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, *Required budgetary comparison schedule* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
December 23, 2020

**U.S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

The discussion and analysis of U.S. Grant Joint Vocational School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- Net position of governmental activities decreased \$628,383 from 2019.
- General revenues accounted for \$5,411,818 in revenue or 77% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,626,159 or 23% of total revenues of \$7,037,977.
- The District had \$7,666,360 in expenses related to governmental activities; \$1,626,159 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$5,411,818 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**U.S. Grant Joint Vocational School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

In the Government-wide Financial Statements, overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District’s programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

Fund Financial Statements

The analysis of the District’s major fund is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds.

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

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

The District as a Whole

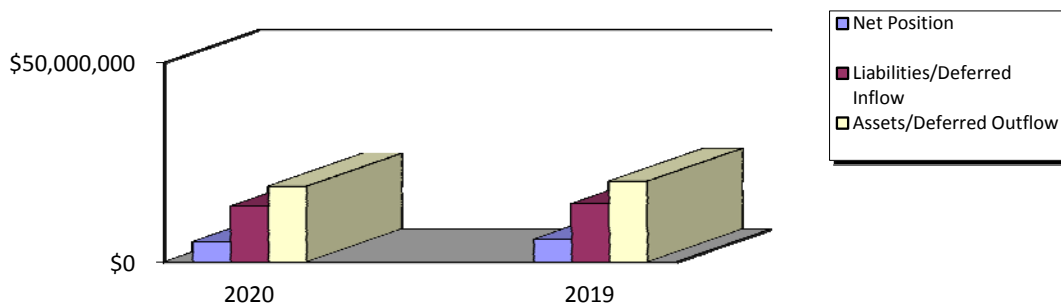
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District’s net position for 2020 compared to 2019:

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**U.S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2020	2019
Assets:		
Current and Other Assets	\$11,645,755	\$12,237,918
Net OPEB Asset	458,044	467,627
Capital Assets	5,246,071	5,251,951
Total Assets	17,349,870	17,957,496
Deferred Outflows of Resources:		
OPEB	165,136	146,402
Pension	1,454,056	2,117,783
Total Deferred Outflows of Resources	1,619,192	2,264,185
Liabilities:		
Other Liabilities	621,642	607,108
Long-Term Liabilities	9,123,299	9,382,090
Total Liabilities	9,744,941	9,989,198
Deferred Inflows of Resources:		
Property Taxes	2,511,641	2,727,505
OPEB	812,175	825,209
Pension	859,743	1,010,824
Total Deferred Inflows of Resources	4,183,559	4,563,538
Net Position:		
Net Investment in Capital Assets	5,246,071	5,251,951
Restricted	163,772	127,174
Unrestricted	(369,281)	289,820
Total Net Position	\$5,040,562	\$5,668,945



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$5,040,562.

**U.S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

At year-end, capital assets represented 30% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Net investment in capital assets at June 30, 2020, totaled \$5,246,071. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$163,772 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets decreased compared to fiscal year 2019 due to a decrease in pooled cash and investments. Capital assets decreased due to additions not exceeding current year depreciation expense and disposals as of June 30, 2020. Total liabilities decreased due to a decrease in net pension liability and net OPEB liability.

Table 2 shows the changes in net position for fiscal years 2020 and 2019.

**Table 2
Changes in Net Position**

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$645,170	\$437,750
Operating Grants and Contributions	980,989	937,182
Total Program Revenues	<u>1,626,159</u>	<u>1,374,932</u>
General Revenues:		
Property Taxes	2,818,725	3,246,267
Grants and Entitlements	2,339,764	2,274,458
Other	253,329	299,010
Total General Revenues	<u>5,411,818</u>	<u>5,819,735</u>
Total Revenues	<u><u>7,037,977</u></u>	<u><u>7,194,667</u></u>
Program Expenses:		
Instruction	4,853,925	4,028,438
Support Services:		
Pupil and Instructional Staff	588,619	656,296
School Administrative, General		
Administration, Fiscal and Business	1,112,174	690,793
Operations and Maintenance	806,591	686,914
Central	151,646	103,623
Operation of Non-Instructional Services	138,310	121,195
Extracurricular Activities	15,095	53,294
Total Program Expenses	<u>7,666,360</u>	<u>6,340,553</u>
Changes in Net Position	(628,383)	854,114
Net Position - Beginning of Year	<u>5,668,945</u>	<u>4,814,831</u>
Net Position - End of Year	<u><u>\$5,040,562</u></u>	<u><u>\$5,668,945</u></u>

**U.S. Grant Joint Vocational School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

A decrease in net pension liability and net OPEB liability substantially increased all instructional and support services expenses compared to fiscal year 2020.

The District revenues came from mainly two sources. Property taxes levied for general purposes, as well as grants and entitlements comprised 73% of the District’s revenues for governmental activities.

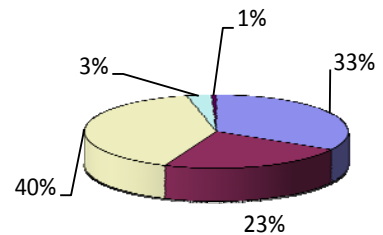
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Property taxes made up 40% of governmental activities for the District in fiscal year 2020. The District’s reliance upon tax revenues is demonstrated in the following graph:

**Governmental Activities
Revenue Sources**

Revenue Sources	2020	Percent of Total
General Grants	\$2,339,764	33%
Program Revenues	1,626,159	23%
General Tax Revenues	2,818,725	40%
Investment Earnings	213,589	3%
Other Revenues	39,740	1%
	<u>\$7,037,977</u>	<u>100%</u>



Instruction comprises 63% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other expenses were 2%.

Property tax revenues decreased from the prior year mainly due to a decrease in property tax advances available as well as a decrease in public utility personal property taxes. Investment earnings decreased from the prior year. Total Expenses increased due to changes related to net pension liability and other post employment benefits liability.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**U.S. Grant Joint Vocational School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$4,853,925	\$4,028,438	(\$3,446,124)	(\$2,766,695)
Support Services:				
Pupil and Instructional Staff	588,619	656,296	(498,378)	(652,296)
School Administrative, General				
Administration, Fiscal and Business	1,112,174	690,793	(1,112,174)	(690,793)
Operations and Maintenance	806,591	686,914	(805,669)	(683,114)
Central	151,646	103,623	(151,646)	(103,623)
Operation of Non-Instructional Services	138,310	121,195	(11,115)	(15,806)
Extracurricular Activities	15,095	53,294	(15,095)	(53,294)
Total Expenses	<u>\$7,666,360</u>	<u>\$6,340,553</u>	<u>(\$6,040,201)</u>	<u>(\$4,965,621)</u>

The District’s Funds

Information about the District’s major fund is presented in the Fund Financial Statements. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$7,039,110 and expenditures and other financing uses of \$7,725,666. The net change in fund balances for the year was a decrease of \$686,556.

General Fund: Fund balance at June 30, 2020 was \$7,491,609 including \$6,395,786 of unassigned balance. Fund balance decreased from the prior year due to a decrease in property tax revenues.

General Fund Budgeting Highlights

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

During the course of fiscal year 2020, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was equal when compared to final budget estimates of \$6,473,650. For the General Fund, the original budget basis expenditures were \$450,312 less when compared to final budget estimates of \$7,913,848.

The District’s ending unobligated actual fund balance for the general fund was \$7,006,753.

**U.S. Grant Joint Vocational School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2020, the District had invested \$5,246,071 in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2020 balances compared to 2019:

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

	Governmental Activities	
	2020	2019
Land	\$100,000	\$100,000
Construction in Progress	164,529	0
Buildings and Improvements	3,744,742	3,850,307
Equipment	1,236,800	1,301,644
Total Net Capital Assets	<u>\$5,246,071</u>	<u>\$5,251,951</u>

The overall decrease in capital assets is due to current year additions not exceeding current year depreciation expense and disposals.

See Note 6 to the basic financial statements for further details on the District’s capital assets.

Debt

At June 30, 2020, the District had no outstanding debt.

See Note 7 to the basic financial statements for further details on the District’s other long term liabilities.

For the Future

Decreasing public utility tax revenue continues to play a significant role in the District’s five-year forecast. The District’s total public utility tax revenue has declined from \$1.1 million in 2017 to \$599 thousand in 2020. Over the past several years, the owner of the Zimmer Power Plant has filed for and received reductions in taxable value. And in October 2020, the owner announced plans to close the facility by 2027. The District currently receives \$490,000 from this facility, which is 8% of the estimated General Fund revenue for FY 2021.

The District is pleased that enrollment has increased the past several years as more and more students choose Grant Career Center for their secondary education. Unfortunately, the state funding formula has been frozen for two years, meaning no additional state dollars have been received as enrollment has increased (with the exception of open-enrolled students). A revised funding model known as the Fair School Funding Plan has been proposed to the legislature in House Bill 305. Initial simulations released under the new plan were favorable for the District, showing an approximate increase of \$300 thousand each year of the biennium. However, until the new biennium budget for 2021 and 2022 is released, the District’s five-year forecast will continue to show little growth in State funding.

**U.S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

In addition to secondary education, the District also operates an adult education program. In an effort to increase adult education services and delivery in both Brown and Clermont counties, the District entered into an agreement with Southern Hills Career and Technical Center to merge both entities' adult education programs. In addition to increasing service delivery, the arrangement is intended to increase efficiencies as they operate as one program.

With careful planning and monitoring of the District's finances, management is confident that the District will navigate the challenges discussed above and continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at U.S. Grant Joint Vocational School District, 718 W. Plane Street, Bethel, Ohio 45106.

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U.S. Grant Joint Vocational School District
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$8,358,544
Restricted Cash and Investments	24,056
Equity in Pooled Cash and Investments with Fiscal Agent	27,819
Receivables (Net):	
Taxes	3,176,847
Accounts	26,747
Interest	28,889
Prepays	2,853
Nondepreciable Capital Assets	264,529
Depreciable Capital Assets, Net	4,981,542
Net OPEB Asset	458,044
Total Assets	17,349,870
Deferred Outflows of Resources:	
Pension	1,454,056
OPEB	165,136
Total Deferred Outflows of Resources	1,619,192
Liabilities:	
Accounts Payable	35,651
Accrued Wages and Benefits	558,172
Matured Bonds Payable	25,000
Matured Interest Payable	2,819
Long-Term Liabilities:	
Due Within One Year	354,547
Due In More Than One Year:	
Net Pension Liability	7,768,103
Net OPEB Liability	694,733
Other Amounts	305,916
Total Liabilities	9,744,941
Deferred Inflows of Resources:	
Property Taxes	2,511,641
OPEB	812,175
Pension	859,743
Total Deferred Inflows of Resources	4,183,559
Net Position:	
Net Investment in Capital Assets	5,246,071
Restricted for:	
Debt Service	37,066
Classroom Facilities	8,915
Food Service	67,291
Community Grants	50,500
Unrestricted	(369,281)
Total Net Position	\$5,040,562

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$380,586	\$473,186	\$0	\$92,600
Special	365,041	0	0	(365,041)
Vocational	3,725,535	17,022	818,333	(2,890,180)
Adult/Continuing	382,763	99,260	0	(283,503)
Support Services:				
Pupil	325,111	0	35,741	(289,370)
Instructional Staff	263,508	0	54,500	(209,008)
General Administration	210,109	0	0	(210,109)
School Administration	406,205	0	0	(406,205)
Fiscal	495,860	0	0	(495,860)
Operations and Maintenance	806,591	900	22	(805,669)
Central	151,646	0	0	(151,646)
Operation of Non-Instructional Services	138,310	54,802	72,393	(11,115)
Extracurricular Activities	15,095	0	0	(15,095)
Totals	\$7,666,360	\$645,170	\$980,989	(6,040,201)

General Revenues:

Property Taxes Levied for:

General Purposes	2,818,725
Grants and Entitlements, Not Restricted	2,339,764
Investment Earnings	213,589
Other Revenues	39,740

Total General Revenues 5,411,818

Change in Net Position (628,383)

Net Position - Beginning of Year 5,668,945

Net Position - End of Year \$5,040,562

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
 Balance Sheet
 Governmental Funds
 June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$7,698,907	\$659,637	\$8,358,544
Restricted Cash and Investments	24,056	0	24,056
Equity in Pooled Cash and Investments with Fiscal Agent	0	27,819	27,819
Receivables (Net):			
Taxes	3,176,847	0	3,176,847
Accounts	26,747	0	26,747
Interest	28,889	0	28,889
Prepays	2,853	0	2,853
Total Assets	10,958,299	687,456	11,645,755
Liabilities:			
Accounts Payable	35,651	0	35,651
Accrued Wages and Benefits	558,172	0	558,172
Compensated Absences	292,305	0	292,305
Matured Bonds Payable	0	25,000	25,000
Matured Interest Payable	0	2,819	2,819
Total Liabilities	886,128	27,819	913,947
Deferred Inflows of Resources:			
Property Taxes	2,562,388	0	2,562,388
Investment Earnings	18,174	0	18,174
Total Deferred Inflows of Resources	2,580,562	0	2,580,562
Fund Balances:			
Nonspendable	2,853	0	2,853
Restricted	0	163,772	163,772
Committed	168,829	0	168,829
Assigned	924,141	495,865	1,420,006
Unassigned	6,395,786	0	6,395,786
Total Fund Balances	7,491,609	659,637	8,151,246
Total Liabilities, Deferred Inflows and Fund Balances	\$10,958,299	\$687,456	\$11,645,755

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2020

Total Governmental Fund Balance		\$8,151,246
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		5,246,071
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Property Taxes	50,747	
Interest	18,174	
		68,921
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(368,158)
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,454,056	
Deferred inflows of resources related to pensions	(859,743)	
Deferred outflows of resources related to OPEB	165,136	
Deferred inflows of resources related to OPEB	(812,175)	
		(52,726)
Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	458,044	
Net Pension Liability	(7,768,103)	
Net OPEB Liability	(694,733)	
		(8,004,792)
Net Position of Governmental Activities		<u>\$5,040,562</u>

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$2,809,987	\$0	\$2,809,987
Tuition and Fees	570,652	1,795	572,447
Investment Earnings	216,910	0	216,910
Intergovernmental	3,053,498	267,255	3,320,753
Charges for Services	17,022	54,802	71,824
Other Revenues	40,639	0	40,639
Total Revenues	6,708,708	323,852	7,032,560
Expenditures:			
Current:			
Instruction:			
Regular	337,735	0	337,735
Special	357,646	0	357,646
Vocational	3,542,012	107,521	3,649,533
Adult/Continuing	374,001	0	374,001
Support Services:			
Pupil	300,979	35,741	336,720
Instructional Staff	251,644	4,000	255,644
General Administration	209,919	0	209,919
School Administration	405,320	0	405,320
Fiscal	495,643	0	495,643
Operations and Maintenance	1,002,242	40	1,002,282
Central	148,123	0	148,123
Operation of Non-Instructional Services	0	138,157	138,157
Extracurricular Activities	14,943	0	14,943
Total Expenditures	7,440,207	285,459	7,725,666
Excess of Revenues Over (Under) Expenditures	(731,499)	38,393	(693,106)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	6,550	0	6,550
Total Other Financing Sources (Uses)	6,550	0	6,550
Net Change in Fund Balance	(724,949)	38,393	(686,556)
Fund Balance - Beginning of Year	8,216,558	621,244	8,837,802
Fund Balance - End of Year	\$7,491,609	\$659,637	\$8,151,246

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balance - Total Governmental Funds (\$686,556)

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	463,655	
Depreciation Expense	(416,814)	
	46,841	46,841

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (52,721)

Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.

District pension contributions	622,236	
Pension expense	(840,165)	
District OPEB contributions	2,261	
OPEB expense	127,024	
	(88,644)	(88,644)

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

Delinquent Property Taxes	8,738	
Interest	(3,321)	
	5,417	5,417

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.

Compensated Absences		147,280
		147,280

Change in Net Position of Governmental Activities (\$628,383)

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$25,755	\$51,963
Total Assets	<u>25,755</u>	<u>51,963</u>
Liabilities:		
Other Liabilities	0	51,963
Total Liabilities	<u>0</u>	<u>51,963</u>
Net Position:		
Held in Trust	<u>25,755</u>	
Total Net Position	<u>\$25,755</u>	

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2020

	<u>Private Purpose Trust</u>
Additions:	
Donations	\$2,800
Investment Earnings	<u>6</u>
Total Additions	<u>2,806</u>
Deductions:	
Scholarships	<u>1,849</u>
Total Deductions	<u>1,849</u>
Change in Net Position	957
Net Position - Beginning of Year	<u>24,798</u>
Net Position - End of Year	<u><u>\$25,755</u></u>

See accompanying notes to the basic financial statements.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Note 1 – Description of the District

U.S. Grant Joint Vocational School District (the “District”) is organized pursuant to Section 3311.18 of the Ohio Revised Code. The District is a stand-alone government as they do not have a separately elected governing body and are not a component unit of another government. The District operates under a five member Board of Education, which is not directly elected. The Board of Education is comprised of appointed members of other elected boards from Bethel-Tate, Felicity Franklin, and Williamsburg local school districts, as well as New Richmond Exempted Village School District. The District provides educational services as authorized by State statute and/or federal guidelines.

The District was established in 1973 through the cooperation of all school districts involved. The District serves an area of approximately 40.43 square miles. It is located in Clermont County, and serves the local school districts of Bethel-Tate, Felicity Franklin, and Williamsburg, as well as New Richmond Exempted Village School District. During the fiscal year ended June 30, 2020, the District was staffed by 8 non-certificated full-time employees, 36 certificated full-time teaching personnel and 7 administrative employees who provide services to students and other community members. The District currently operates one instructional building and Satellite programs housed at two of the four associate schools, Bethel-Tate and New Richmond EVSD.

Reporting Entity

A reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements are not misleading. The stand-alone government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For U.S. Grant Joint Vocational School District, this includes general operations, food service, adult education and student related activities of the District.

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

The District is associated with two jointly governed organizations, two risk sharing pools, and two insurance purchasing pools. These organizations are:

Jointly Governed Organizations:

- Unified Purchasing Cooperative of the Ohio River Valley
- Hamilton Clermont Cooperative Information Technology Center

Risk Sharing Pool:

- Schools of Ohio Risk Sharing Authority, Inc.
- Southern Ohio Educational Purchasing Council (SOEPC)

Insurance Purchasing Pools:

- Ohio School Boards Association Workers’ Compensation Group Rating Plan
- Clermont County Insurance Consortium

These organizations are presented in Notes 13, 14, and 15.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Note 2 – Summary of Significant Accounting Policies

The financial statements of the 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 most significant of the District's accounting policies are described below.

The 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.

Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows and outflows of resources associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the 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 contributions 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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, current liabilities, and certain deferred inflows and outflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust is reported using the economic resources measurement focus.

Fund Accounting

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

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Governmental Funds

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

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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fiduciary Funds

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, interest and grants and other taxes.

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, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources includes pension and other post employment benefits. These amounts are reported on the government-wide statement of net pension. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, OPEB, investment earnings and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance year 2021 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Deferred inflows related to investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 8 and 9.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as any expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Equity in Pooled Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the basic financial statements. The District utilizes financial institutions to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agent" and represents deposits.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$216,910.

Investments of the cash management pool and investments with original maturities three months or less at the time they are purchased by the District are reported as cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and expenditure/expense is reported in the year in which services are consumed.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5 - 35 years
Equipment	5 - 20 years

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.

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

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

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

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Employees may accumulate unlimited sick leave. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit for the first 120 days of leave plus one day's pay for each ten sick leave days accumulated beyond 120 days.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

The government-wide statement of net position reports \$163,772 of restricted net position, of which none is restricted by enabling legislation.

Interfund Activity

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

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated on the governmental activities columns of the statement of net position.

As a general rule the effect on interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

The District had no interfund receivables / payables at June 30, 2020.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent amounts followed by statute to be set-aside to create a set-aside for budget stabilization (see Note 16), and for retainage held for contractors.

Cash and Cash Equivalents with Fiscal Agent

Cash and Cash Equivalents with Fiscal Agent in the other governmental funds represent equity in pooled cash and investments set aside for possible future payables.

Accrued Liabilities and Long Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. 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.

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.

Note 3 – Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – Those monies not required for use within the current five year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to, passbook accounts.

Interim Monies – 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. Those monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided 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.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2020, \$755,377 of the District's bank balance of \$1,033,196 was exposed to custodial credit risk because it was uninsured and collateralized.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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

Investments

As of June 30, 2020, the District had the following investments:

	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal Home Loan Bank	\$776,976	Level 2	1.32
Federal National Mortgage Association	810,234	Level 2	0.95
U.S. Treasury Notes	4,844,010	Level 1	0.89
Federal Farm Credit Bank	250,325	Level 2	0.07
Federal Home Loan Mortgage Corporation	250,683	Level 2	2.81
STAR Ohio	40,241	N/A	0.11
Money Market Funds	897,611	N/A	0.00
Total Investment	<u>\$7,870,080</u>		
Portfolio Weighted Average Maturity			0.87

U.S. Grant Joint Vocational School District
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For the Fiscal Year Ended June 30, 2020

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2020. STAR Ohio is reported at its share price (Net Asset value per share). All other investments of the District are valued using quoted market prices.

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Bank, Federal National Mortgage Association, U.S. Treasury Notes, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. Investments in STAROhio were rated AAAM by Standard & Poor's. Money Market Funds were not rated.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities, but does not limit the amount in any one issuer. The District invested 11% in the Money Market Funds, 1% in STAR Ohio, 62% in U.S. Treasury Notes, 3% in Federal Farm Credit Bank, 3% in Federal Home Loan Mortgage, 10% in Federal Home Loan Bank, and 10% in Federal National Mortgage Association.

Custodial Credit Risk – The risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

Note 4 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2020 (other than public utility property tax) represents the collection of 2020 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2020 were

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

levied after April 1, 2019, on the value as of December 31, 2019. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes primarily from Clermont County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2021 operations. The amount available for advance can vary based on the date the tax bills are sent.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2020. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2020 on the fund statements. The entire amount of delinquent taxes receivable is recognized as a revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflows for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2020, was \$614,459 for General Fund and is recognized as revenue.

The assessed value, by property classification, upon which taxes collected in 2020 were based as follows:

	Amount
Tangible and Public Utility Personal	\$94,940,790
Real Estate	784,947,750
Total	<u>\$879,888,540</u>

Note 5 – Receivables

Receivables at June 30, 2020, consisted of taxes, accounts, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$100,000	\$0	\$0	\$100,000
Construction in Progress	0	164,529	0	164,529
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	8,306,115	89,104	0	8,395,219
Equipment	<u>2,985,929</u>	<u>210,022</u>	<u>233,304</u>	<u>2,962,647</u>
Totals at Historical Cost	<u>11,392,044</u>	<u>463,655</u>	<u>233,304</u>	<u>11,622,395</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,455,808	194,669	0	4,650,477
Equipment	<u>1,684,285</u>	<u>222,145</u>	<u>180,583</u>	<u>1,725,847</u>
Total Accumulated Depreciation	<u>6,140,093</u>	<u>416,814</u>	<u>180,583</u>	<u>6,376,324</u>
Governmental Activities Capital Assets, Net	<u>\$5,251,951</u>	<u>\$46,841</u>	<u>\$52,721</u>	<u>\$5,246,071</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$1,774
Vocational	347,380
Adult/Continuing	928
Support Services:	
Instructional Staff	9,731
Fiscal	641
Operations and Maintenance	<u>56,360</u>
Total Depreciation Expense	<u>\$416,814</u>

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**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Note 7 – Long-Term Liabilities

The change in the District’s long-term obligations during the year consist of the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
Governmental Activities:					
Compensated Absences	\$517,437	\$213,999	\$70,973	\$660,463	\$354,547
Net Pension Liability:					
STRS	6,398,712	0	282,827	6,115,885	0
SERS	1,664,108	0	11,890	1,652,218	0
Total Net Pension Liability	8,062,820	0	294,717	7,768,103	0
Net OPEB Liability:					
STRS	0	0	0	0 (a)	0
SERS	801,833	0	107,100	694,733	0
Total Net OPEB Liability	801,833	0	107,100	694,733	0
Total Governmental Activities	<u>\$9,382,090</u>	<u>\$213,999</u>	<u>\$472,790</u>	<u>\$9,123,299</u>	<u>\$354,547</u>

(a) OPEB for STRS has a Net OPEB asset in the amount of \$458,044 as of June 30, 2020.

Compensated Absences will be paid from the general, food service and adult basic education funds. The adult basic education fund has been presented as part of the general fund for GAAP reporting purposes. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

Note 8 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and 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 net pension/OPEB liability (asset) represent the employer’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 (asset) 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 employer’s obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the employer does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 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 (asset). Resulting adjustments to the net pension/OPEB liability (asset) 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 remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the employer is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The contractually required contribution to SERS was \$109,360 for fiscal year 2020. Of this amount \$442 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective Aug. 1, 2017 through July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective Aug. 1, 2019–July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 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.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 is deposited into the member's DC account and the remaining 2 percent is applied 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 at age fifty and after termination of employment.

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

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

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The contractually required contribution to STRS was \$512,876 for fiscal year 2020. Of this amount \$59,716 is reported as accrued wages and benefits.

Net 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,652,218	\$6,115,885	\$7,768,103
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02761440%	0.02765567%	
Prior Measurement Date	<u>0.02905630%</u>	<u>0.02910125%</u>	
Change in Proportionate Share	-0.00144190%	-0.00144558%	
Pension Expense	\$261,638	\$578,527	\$840,165

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

At June 30 2020, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$41,897	\$49,793	\$91,690
Changes of assumptions	0	718,429	718,429
Changes in employer proportionate share of net pension liability	21,701	0	21,701
Contributions subsequent to the measurement date	<u>109,360</u>	<u>512,876</u>	<u>622,236</u>
Total Deferred Outflows of Resources	<u>\$172,958</u>	<u>\$1,281,098</u>	<u>\$1,454,056</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$26,474	\$26,474
Net difference between projected and actual earnings on pension plan investments	21,208	298,911	320,119
Changes in employer proportionate share of net pension liability	<u>55,040</u>	<u>458,110</u>	<u>513,150</u>
Total Deferred Inflows of Resources	<u>\$76,248</u>	<u>\$783,495</u>	<u>\$859,743</u>

\$622,236 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	\$28,767	\$134,236	\$163,003
2022	(52,034)	(23,698)	(75,732)
2023	(1,411)	(106,954)	(108,365)
2024	<u>12,028</u>	<u>(18,857)</u>	<u>(6,829)</u>
Total	<u>(\$12,650)</u>	<u>(\$15,273)</u>	<u>(\$27,923)</u>

Actuarial Assumptions - SERS

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

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

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2019, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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 disabled 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 average 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Equity	22.50%	4.75%
International Equity	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	100.00%	

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.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 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%
Proportionate share of the net pension liability	\$2,315,348	\$1,652,218	\$1,096,100

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%

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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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.

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
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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%	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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, 2019. 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, 2019.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the 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%
Proportionate share of the net pension liability	\$8,937,685	\$6,115,885	\$3,727,087

Note 9 - Defined Benefit OPEB Plans

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

The employer 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.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 2020, no allocation 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 2020, this amount was \$19,600. 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 2020, the employer's surcharge obligation was \$2,261.

The surcharge, added to any allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$2,261 for fiscal year 2020. Of this amount \$442 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. 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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment

U.S. Grant Joint Vocational School District
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health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability (asset) was based on the employer'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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$694,733	\$0	\$694,733
Proportionate Share of the Net OPEB (Asset)	0	(458,044)	(458,044)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.02762590%	0.02765567%	
Prior Measurement Date	<u>0.02890250%</u>	<u>0.02910125%</u>	
Change in Proportionate Share	-0.00127660%	-0.00144558%	
OPEB Expense	\$20,753	(\$147,777)	(\$127,024)

At June 30 2020, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$10,198	\$41,525	\$51,723
Changes of assumptions	50,742	9,628	60,370
Net difference between projected and actual earnings on OPEB plan investments	1,669	0	1,669
Changes in employer proportionate share of net OPEB liability	49,113	0	49,113
Contributions subsequent to the measurement date	<u>2,261</u>	<u>0</u>	<u>2,261</u>
Total Deferred Outflows of Resources	<u>\$113,983</u>	<u>\$51,153</u>	<u>\$165,136</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$152,628	\$23,304	\$175,932
Changes of assumptions	38,931	502,193	541,124
Net difference between projected and actual earnings on OPEB plan investments	0	28,768	28,768
Changes in employer proportionate share of net OPEB liability	<u>34,267</u>	<u>32,084</u>	<u>66,351</u>
Total Deferred Inflows of Resources	<u>\$225,826</u>	<u>\$586,349</u>	<u>\$812,175</u>

\$2,261 reported as deferred outflows of resources related to OPEB resulting from contributions

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	(\$36,703)	(\$116,882)	(\$153,585)
2022	(15,261)	(116,881)	(132,142)
2023	(14,772)	(105,351)	(120,123)
2024	(14,851)	(101,306)	(116,157)
2025	(20,772)	(94,705)	(115,477)
Thereafter	(11,745)	(71)	(11,816)
Total	<u>(\$114,104)</u>	<u>(\$535,196)</u>	<u>(\$649,300)</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 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, 2019, are presented below:

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**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
Investment Rate of Return	7.50% net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13%
Prior Measurement Date	3.62%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.22%
Prior Measurement Date	3.70%
Medical Trend Assumption:	
Medicare	5.25% to 4.75%
Pre-Medicare	7.00% to 4.75%

Mortality rates among active members 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Equity	22.50%	4.75%
International Equity	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	100.00%	

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 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 3.13 percent, as of June 30, 2019 (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 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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Proportionate share of the net OPEB liability	\$843,274	\$694,733	\$576,626
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$556,622	\$694,733	\$877,973

Assumption and Benefit Changes since the Prior Measurement Date

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

- (1) Discount Rate:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.62%
 - Measurement Date 3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.87% initial, 4% ultimate
Medicare	4.93% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	7.73% initial, 4% ultimate
Medicare	9.62% initial, 4% 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, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

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%	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
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Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019 and June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019 and June 30, 2018.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset 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 assumption. Also shown is the net OPEB asset 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.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$390,850)	(\$458,044)	(\$514,539)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$519,401)	(\$458,044)	(\$382,897)

Assumption and Benefit Changes since the Prior Measurement Date

There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

There were changes in assumptions, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

Note 10 – Contingent Liabilities

School Foundation

The District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
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Litigation

The District was not involved in any litigation at year end.

Note 11 – Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. By participating in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA) (Note 13), a risk sharing pool, for liability, property, auto and crime insurance, the District has addressed these various types of risk.

SORSA, a non-profit corporation, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. The types and amounts of coverage provided by the SORSA are as follows:

Property Coverage:	
Total Insured Values - All SORSA Members Aggregate	\$350,000,000
Crime Coverage:	
Employee Dishonesty/Faithful	1,000,000
Forgery or Alteration	1,000,000
Computer Crime, in any one occurrence	1,000,000
Computer Program and Electronic Data Restoration, occurrence	350,000
Theft Disappearance and Destruction (inside/outside)	1,000,000
General Liability:	
Bodily Injury and Property Damage	15,000,000
Personal and Advertising Injury Limit – Each Offense	15,000,000
Products – Completed Operations Aggregate Limit	15,000,000
General Annual Aggregate	17,000,000
Fire Damage Limit – Any One Event	500,000
Medical Payments	10,000/25,000
Educators’ Legal Liability:	
Wrongful Acts	15,000,000
Automobile Liability:	
Owned/Leased Vehicles	15,000,000
Hired and Non-owned Liability	Included
Medical Payments	10,000/25,000
Uninsured Motorist	1,000,000
Automobile Physical Damage	Actual Cash Value

Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

Workers’ Compensation

For fiscal year 2020, the District participated in a workers compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. CompManagement, Inc. (CMI) is the program’s third party

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The District has chosen to participate in the group rating program. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

Note 12 – Other Employee Benefits

Life and Accident Insurance

The District provides life insurance and accidental death and dismemberment insurance to full time employees through Anthem Life.

Employee Benefits

For fiscal year 2020, the District participated in the Clermont County Insurance Consortium (the Consortium) (Note 14), an insurance purchasing pool, in order to provide dental, medical, life insurance, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Consortium provides insurance policies in whole or in part through one or more group insurance policies.

Note 13 – Risk Sharing Pool

The Schools of Ohio Risk Sharing Authority, Inc. (SORSA), is a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to District persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance, equipment breakdown, cyber liability, and educators' errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, assistant treasurers, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 555 Metro Place, Dublin, Ohio 43017.

The District participates in the Southwestern Ohio Educational Purchasing Council (SWEPC), a purchasing council made up of nearly 255 school districts and boards of developmental disabilities in 41 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SWEPC. Each member district has one voting representative. Any district withdrawing from the SWEPC forfeits its claim to any and all SWEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Board exercises total control over the operations of the council including budgeting, appropriating, contracting and designating management. Each school district's degree of control is limited to its representation on the Board. Payments to the SWEPC are made from the

**U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
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General and State Grant Funds. Starting in fiscal year 2017, SWEPC started waiving the membership dues. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Note 14 – Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

The 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, President-Elect and Immediate Past President of 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.

Clermont County Insurance Consortium

The Clermont County Insurance Consortium (the "Consortium"), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical and other disability group insurance for members' employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The District pays premiums to the Clermont County Insurance Consortium, which in turn buys the insurance policies from various insurance companies.

Upon termination, the District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The District may terminate participation in the Trust upon written notice to the Consortium delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from the Clermont County Insurance Consortium at 2400 Clermont Center Drive, Batavia, OH 45103.

Note 15 – Jointly Governed Organizations

Unified Purchasing Cooperative of the Ohio River Valley

The Unified Purchasing Cooperative of the Ohio River Valley was organized to benefit members with a more economically sound purchasing mechanism for products and services. The Board of Directors is elected from among the active members. Each of the members share in a percentage of equity based on the resources provided. The Hamilton County Educational Service Center is the fiscal agent for the Cooperative. Financial information can be obtained from the Director at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

Hamilton Clermont Cooperative Information Technology Center

The District is a participant in a two county consortium of school districts to operate the Hamilton Clermont Cooperative Information Technology Center (HCC). HCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among other member districts. The Board of HCC consists of one representative from each of the participating members. Complete financial

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

statements for HCC can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

Note 16 – Statutory Set-Asides

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

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

	Capital Acquisition	Budget Stabilization
Set Aside Balance as of June 30, 2019	\$0	\$24,056
Current Year Set Aside Requirements	63,243	0
Qualified Disbursements	(838,917)	0
Total	<u>(\$775,674)</u>	<u>\$24,056</u>
Set-Aside Balance Carried Forward as of June 30, 2020	<u>\$0</u>	<u>\$0</u>
Set-Aside Balance as of June 30, 2020	<u>\$0</u>	<u>\$24,056</u>

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the set-aside in accordance with the Act. As of June 30, 2020, the Board had not acted on the Senate Bill requirements to eliminate the set-aside balance.

Note 17 – 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 the 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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U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Fund Balances	General	Other Governmental Funds	Total
Nonspendable on:			
Prepays	\$2,853	\$0	\$2,853
Total Nonspendable	2,853	0	2,853
Restricted for:			
Community Grants	0	50,500	50,500
Food Service	0	67,291	67,291
Debt Service	0	37,066	37,066
Classroom Facilities	0	8,915	8,915
Total Restricted	0	163,772	163,772
Committed to:			
Termination Benefits	168,829	0	168,829
Total Committed	168,829	0	168,829
Assigned to:			
Permanent Improvements	0	495,865	495,865
Budgetary Resource	640,169	0	640,169
Encumbrances	283,431	0	283,431
Public Schools Support Fund	541	0	541
Total Assigned	924,141	495,865	1,420,006
Unassigned	6,395,786	0	6,395,786
Total Fund Balance	<u>\$7,491,609</u>	<u>\$659,637</u>	<u>\$8,151,246</u>

Note 18 – Implementation of New Accounting Principles

For fiscal year 2020, the District has postponed implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, GASB No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The District did not implement these statements due to the GASB postponing the implementation by 12 months because of the COVID-19 pandemic.

Note 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures could impact subsequent periods of the District. The District’s investment portfolio could incur a significant decline in fair value. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District’s future operating costs, revenues, the impact of the investments of the pension and other employee benefit plan in which the District participates and any recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

US Grant JVSD
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2020	0.02765567%	\$6,115,885	\$3,625,264	168.70%	77.40%
2019	0.02910125%	6,398,712	3,663,850	174.64%	77.30%
2018	0.02934861%	6,971,825	3,609,700	193.14%	75.30%
2017	0.02988555%	10,003,595	3,487,307	286.86%	66.80%
2016	0.03247727%	8,975,767	3,722,836	241.10%	72.10%
2015	0.03401460%	8,273,528	3,740,123	221.21%	74.70%
2014	0.03401460%	9,828,831	5,066,383	194.00%	69.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

US Grant JVSD
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2020	0.02761440%	\$1,652,218	\$947,326	174.41%	70.85%
2019	0.02905630%	1,664,108	935,111	177.96%	71.36%
2018	0.02715100%	1,622,212	910,300	178.21%	69.50%
2017	0.02780340%	2,034,952	1,021,271	199.26%	62.98%
2016	0.02698510%	1,539,796	1,270,288	121.22%	69.16%
2015	0.02854800%	1,444,798	837,929	172.42%	71.70%
2014	0.02854800%	1,698,167	1,417,549	119.80%	65.52%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

US Grant JVSD
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$512,876	(\$512,876)	\$0	\$3,663,400	14.00%
2019	507,537	(507,537)	0	3,625,264	14.00%
2018	512,939	(512,939)	0	3,663,850	14.00%
2017	505,358	(505,358)	0	3,609,700	14.00%
2016	488,223	(488,223)	0	3,487,307	14.00%
2015	521,197	(521,197)	0	3,722,836	14.00%
2014	486,216	(486,216)	0	3,740,123	13.00%
2013	467,812	(467,812)	0	5,066,383	13.00%
2012	444,690	(444,690)	0	5,005,707	13.00%
2011	469,155	(469,155)	0	5,062,631	13.00%

See accompanying notes to the required supplementary information.

US Grant JVSD
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$109,360	(\$109,360)	\$0	\$781,143	14.00%
2019	127,889	(127,889)	0	947,326	13.50%
2018	126,240	(126,240)	0	935,111	13.50%
2017	127,442	(127,442)	0	910,300	14.00%
2016	142,978	(142,978)	0	1,021,271	14.00%
2015	167,424	(167,424)	0	1,270,288	13.18%
2014	116,137	(116,137)	0	837,929	13.86%
2013	107,262	(107,262)	0	1,417,549	13.84%
2012	103,803	(103,803)	0	1,541,727	13.45%
2011	103,904	(103,904)	0	2,605,732	12.57%

See accompanying notes to the required supplementary information.

US Grant JVSD
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB (Asset)/Liability	District's Proportionate Share of the Net OPEB (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2020	0.02765567%	(\$458,044)	\$3,625,264	(12.63%)	174.74%
2019	0.02910125%	(467,627)	3,663,850	(12.76%)	176.00%
2018	0.02934860%	1,145,074	3,609,700	31.72%	47.10%
2017	0.02988560%	1,598,290	3,487,307	45.83%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

US Grant JVSD
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB Liability
2020	0.02762590%	\$694,733	\$947,326	73.34%	15.57%
2019	0.02890250%	801,833	935,111	85.75%	13.57%
2018	0.02647890%	710,624	910,300	78.06%	12.46%
2017	0.02683808%	764,984	1,021,271	74.91%	11.49%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

US Grant JVSD
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$0	\$0	\$0	\$3,663,400	0.00%
2019	0	0	0	3,625,264	0.00%
2018	0	0	0	3,663,850	0.00%
2017	0	0	0	3,609,700	0.00%
2016	0	0	0	3,487,307	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information

US Grant JVSD
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Five Fiscal Years (1) (2)

Year	District's Contractually Required Contribution (2)	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$2,261	(\$2,261)	\$0	\$781,143	0.29%
2019	18,443	(18,443)	0	947,326	1.95%
2018	20,048	(20,048)	0	935,111	2.14%
2017	9,468	(9,468)	0	910,300	1.04%
2016	9,661	(9,661)	0	1,021,271	0.95%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information

U.S. Grant Joint Vocational School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,902,871	\$2,902,871	\$2,869,335	(\$33,536)
Tuition and Fees	444,007	444,007	438,878	(5,129)
Investment Earnings	146,978	146,978	145,280	(1,698)
Intergovernmental	2,936,334	2,936,334	2,902,412	(33,922)
Other Revenues	43,460	43,460	42,958	(502)
Total Revenues	6,473,650	6,473,650	6,398,863	(74,787)
Expenditures:				
Current:				
Instruction:				
Regular	321,699	341,109	290,198	50,911
Special	391,135	414,734	352,835	61,899
Vocational	3,879,131	4,113,177	3,499,282	613,895
Support Services:				
Pupil	356,658	378,177	321,734	56,443
Instructional Staff	279,830	296,714	252,429	44,285
General Administration	27,032	28,663	24,385	4,278
School Administration	436,933	463,295	394,148	69,147
Fiscal	461,606	489,457	416,405	73,052
Operations and Maintenance	1,145,113	1,214,203	1,032,982	181,221
Central	147,834	156,754	133,358	23,396
Extracurricular Activities	16,565	17,565	14,943	2,622
Total Expenditures	7,463,536	7,913,848	6,732,699	1,181,149
Excess of Revenues Over (Under) Expenditures	(989,886)	(1,440,198)	(333,836)	1,106,362
Other financing sources (uses):				
Proceeds from Sale of Assets	6,627	6,627	6,550	(77)
Advances In	3,035	3,035	3,000	(35)
Advances (Out)	(3,326)	(3,526)	(3,000)	526
Transfers (Out)	(110,855)	(117,543)	(100,000)	17,543
Total Other Financing Sources (Uses)	(104,519)	(111,407)	(93,450)	17,957
Net Change in Fund Balance	(1,094,405)	(1,551,605)	(427,286)	1,124,319
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	7,434,039	7,434,039	7,434,039	0
Fund Balance - End of Year	\$6,339,634	\$5,882,434	\$7,006,753	\$1,124,319

See accompanying notes to the required supplementary information.

U.S. Grant Joint Vocational School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedule reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedule reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2020.

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

While the 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 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget 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 for all funds (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental fund types (GAAP basis).
4. As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Uniform School Supplies, Rotary-Special Services, and Public School Support Funds and a portion of the Adult Education Fund. These funds were excluded from the budgetary presentation for the General Fund.

U.S. Grant Joint Vocational School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

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

	Net Change in Fund Balance
	<u>General</u>
GAAP Basis	(\$724,949)
Revenue Accruals	(309,845)
Expenditure Accruals	909,692
Transfers (Out)	(100,000)
Advances In	3,000
Advances (Out)	(3,000)
Encumbrances	(202,184)
Budget Basis	<u><u>(\$427,286)</u></u>

Note 2 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2020: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2018-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and

(8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 3 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2017-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	3.70%
Measurement Date	3.22%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.62%
Measurement Date	3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.70%
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**U.S. Grant Joint Vocational School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020**

Measurement Date 3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(4) Discount Rate:

Prior Measurement Date 3.63%
Measurement Date 3.70%

(5) Municipal Bond Index Rate:

Prior Measurement Date 3.56%
Measurement Date 3.62%

(6) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date 3.63%
Measurement Date 3.70%

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

(1) Discount Rate:

Fiscal Year 2018 3.63%
Fiscal Year 2017 2.98%

(2) Municipal Bond Index Rate:

Fiscal Year 2018 3.56%
Fiscal Year 2017 2.92%

(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal Year 2018 3.63%
Fiscal Year 2017 2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were

U.S. Grant Joint Vocational School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

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 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

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.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.



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

U.S. Grant Joint Vocational School District
Clermont County
718 West Plane Street
Bethel, Ohio 45106

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the U.S. Grant Joint Vocational School District, Clermont County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
December 23, 2020

OHIO AUDITOR OF STATE KEITH FABER



**U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT
CLERMONT COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/26/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov