

U.S. Grant Joint Vocational School District
Clermont County, Ohio

Regular Audit

July 1, 2008 through June 30, 2009
Fiscal Years Audited Under GAGAS: 2009



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Mary Taylor, CPA
Auditor of State

Board of Education
U.S. Grant Joint Vocational School District
718 West Plane Street
Bethel, Ohio 45106

We have reviewed the *Independent Auditor's Report* of the U.S. Grant Joint Vocational School District, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. 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 U.S. Grant Joint Vocational School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 22, 2010

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U.S. Grant Joint Vocational School District
Clermont County, Ohio

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Independent Auditor's Report

Members of the Board
U.S. Grant Joint Vocational School District
718 West Plane Street
Bethel, Ohio 45106

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the U.S. Grant Joint Vocational School District (the School District), Clermont County, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

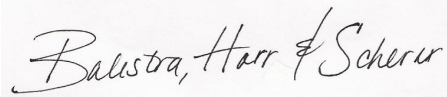
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States, *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

U.S. Grant Joint Vocational School District
Independent Auditor's Report
Page 2

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 and 44 through 46 are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
December 18, 2009

**U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(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, 2009. 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 2009 are as follows:

- Net assets of governmental activities increased \$1,202,932 which represents a 15% increase from 2008.
- General revenues accounted for \$7,229,833 in revenue or 91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$691,574 or 9% of total revenues of \$7,921,407 .
- The District had \$6,718,475 in expenses related to governmental activities; \$691,574 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7,229,833 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 Assets* and *Statements 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 2009?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector 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 assets* and changes in those assets. This change in net assets 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.

In the Government-wide Financial Statements, the District presents:

- Governmental Activities – All 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 begins on the balance sheet. Fund financial reports provide detailed information about the District's major fund. 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 Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

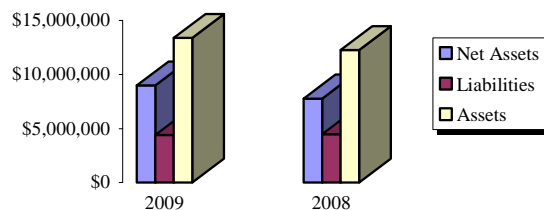
Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2009 compared to 2008:

Table 1
Net Assets

	Governmental Activities	
	2009	2008
Assets:		
Current and Other Assets	\$11,236,000	\$10,062,749
Capital Assets, Net	2,138,783	2,178,517
Total Assets	13,374,783	12,241,266
Liabilities:		
Other Liabilities	3,727,194	3,755,405
Long-Term Liabilities	678,589	719,793
Total Liabilities	4,405,783	4,475,198
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,080,328	2,061,606
Restricted	582,521	541,895
Unrestricted	6,306,151	5,162,567
Total Net Assets	\$8,969,000	\$7,766,068



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$8,969,000 .

At year-end, capital assets represented 16% of total assets. Capital assets include land, construction in progress, buildings and improvements, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, was \$2,080,328. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$582,521 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 and other assets increased mainly due to an increase in equity in pooled cash and investments, which was largely due to an increase in investments. Other liabilities decreased mainly due to a decrease in unearned revenue, which was largely due to a decrease in taxes receivable.

Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

Table 2
Changes in Net Assets

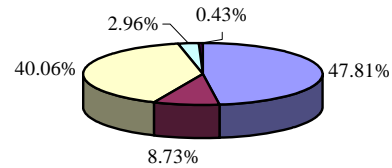
	Governmental Activities	
	2009	2008
Revenues:		
Program Revenues		
Charges for Services and Sales	\$387,139	\$371,543
Operating Grants and Contributions	304,435	313,298
General Revenues:		
Property Taxes	3,173,343	3,269,852
Grants and Entitlements	3,787,277	3,874,593
Other	269,213	340,421
Total Revenues	<u>7,921,407</u>	<u>8,169,707</u>
Program Expenses:		
Instruction	4,055,526	3,895,005
Support Services:		
Pupil and Instructional Staff	702,656	621,483
School Administrative, General		
Administration, Fiscal and Business	916,354	889,754
Operations and Maintenance	704,986	630,262
Pupil Transportation	200	409
Central	109,657	81,176
Operation of Non-Instructional Services	198,192	403,611
Extracurricular Activities	30,904	38,721
Total Program Expenses	<u>6,718,475</u>	<u>6,560,421</u>
Change in Net Assets	1,202,932	1,609,286
Beginning Net Assets	<u>7,766,068</u>	<u>6,156,782</u>
Ending Net Assets	<u><u>\$8,969,000</u></u>	<u><u>\$7,766,068</u></u>

The District revenues are mainly from two sources. Property taxes levied for general and debt service purposes and grants and entitlements comprised 87.9% 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 do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 40% of revenue for governmental activities for the District in fiscal year 2009.

Revenue Sources	2009	Percent of Total
General Grants	\$3,787,277	47.8%
Program Revenues	691,574	8.7%
General Tax Revenues	3,173,343	40.1%
Investment Earnings	234,839	3.0%
Other Revenues	34,374	0.4%
	<u>\$7,921,407</u>	<u>100.0%</u>



Instruction comprises 60% of governmental program expenses. Support services expenses were 36% of governmental program expenses. All other expenses were 4%.

The District saw a decrease in revenues mainly due to a decrease in taxes revenue and grant monies received. Total expenses increased due to increases in instruction costs and general inflationary factors.

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 government 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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	\$4,055,526	\$3,895,005	(\$3,604,566)	(\$3,534,346)
Support Services:				
Pupil and Instructional Staff	702,656	621,483	(572,032)	(536,132)
School Administrative, General				
Administration, Fiscal and Business	916,354	889,754	(910,110)	(882,063)
Operations and Maintenance	704,986	630,262	(696,653)	(622,544)
Pupil Transportation	200	409	(200)	(409)
Central	109,657	81,176	(109,657)	(81,176)
Operation of Non-Instructional Services	198,192	403,611	(102,779)	(180,189)
Extracurricular Activities	30,904	38,721	(30,904)	(38,721)
Total Expenses	\$6,718,475	\$6,560,421	(\$6,026,901)	(\$5,875,580)

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 \$8,196,388 and expenditures and other financing uses of \$7,012,795. The net change in fund balances for the year was \$1,183,593.

General Fund: Fund balance at June 30, 2009 was \$6,734,333 including \$6,408,130 of unreserved balance. The primary reason for the increase in fund balance is due to revenues being greater than expenses, which is consistent with the prior year.

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.

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, final budget basis revenue was \$7,353,066, compared to original budget estimates of \$7,353,185. Of the \$119 difference most was due to a conservative estimate for intergovernmental revenue.

The District's ending unobligated actual fund balance for the general fund was \$761,157 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the District had \$2,138,783 invested in land, buildings and improvements and equipment and vehicles. Table 4 shows fiscal 2009 balances compared to 2008:

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

	Governmental Activities	
	2009	2008
Land	\$100,000	\$100,000
Buildings and Improvements	1,172,361	1,285,678
Equipment and Vehicles	<u>866,422</u>	<u>792,839</u>
Total Net Capital Assets	<u><u>\$2,138,783</u></u>	<u><u>\$2,178,517</u></u>

The overall decrease in capital assets is due to current year depreciation expense and disposals exceeding current year additions.

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

Debt

At June 30, 2009, the District had \$58,455 in bonds outstanding, \$58,455 due within one year. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	<u>2009</u>	<u>2008</u>
General Obligation Bonds:		
1995 School Facilities Loan	<u>\$58,455</u>	<u>\$116,911</u>

See Note 7 to the basic financial statements for further details on the District's debt.

For the Future

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, management is confident that the District can continue to provide a quality education for 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 Patricia Patten, Treasurer at U.S. Grant Joint Vocational School District, 718 W. Plane Street, Bethel, Ohio 45106.

U.S. Grant Joint Vocational School District
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$7,784,688
Restricted Cash and Investments	24,056
Cash and Cash Equivalents with Fiscal Agent	27,819
Receivables:	
Taxes	3,397,140
Inventory	2,297
Nondepreciable Capital Assets	100,000
Depreciable Capital Assets, Net	<u>2,038,783</u>
 Total Assets	 <u>13,374,783</u>
Liabilities:	
Accounts Payable	59,280
Accrued Wages and Benefits	555,619
Unearned Revenue	3,084,476
Matured Bonds Payable	25,000
Matured Interest Payable	2,819
Long-Term Liabilities:	
Due Within One Year	161,106
Due In More Than One Year	<u>517,483</u>
 Total Liabilities	 <u>4,405,783</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,080,328
Restricted for:	
Special Revenue	293,282
Debt Service	66,293
Capital Projects	198,890
Set-Aside	24,056
Unrestricted	<u>6,306,151</u>
 Total Net Assets	 <u><u>\$8,969,000</u></u>

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, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$253,657	\$52,917	\$57,462	(\$143,278)
Special	145,233	0	0	(145,233)
Vocational	3,315,872	140,539	66,864	(3,108,469)
Adult/Continuing	340,764	108,047	25,131	(207,586)
Support Services:				
Pupil	538,959	0	99,294	(439,665)
Instructional Staff	163,697	22,908	8,422	(132,367)
General Administration	55,375	0	0	(55,375)
School Administration	408,456	0	3,744	(404,712)
Fiscal	450,041	0	2,500	(447,541)
Business	2,482	0	0	(2,482)
Operations and Maintenance	704,986	8,333	0	(696,653)
Pupil Transportation	200	0	0	(200)
Central	109,657	0	0	(109,657)
Operation of Non-Instructional Services	198,192	54,395	41,018	(102,779)
Extracurricular Activities	30,904	0	0	(30,904)
Total Governmental Activities	<u>\$6,718,475</u>	<u>\$387,139</u>	<u>\$304,435</u>	<u>(6,026,901)</u>

General Revenues:	
Property Taxes Levied for:	
General Purposes	3,114,888
Debt Service Purposes	58,455
Grants and Entitlements not Restricted to Specific Programs	3,787,277
Investment Earnings	234,839
Other Revenues	34,374
Total General Revenues	<u>7,229,833</u>
Change in Net Assets	1,202,932
Net Assets Beginning of Year	<u>7,766,068</u>
Net Assets End of Year	<u><u>\$8,969,000</u></u>

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Balance Sheet
Governmental Funds
June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$7,163,983	\$620,705	\$7,784,688
Restricted Cash and Investments	24,056	0	24,056
Cash and Cash Equivalents with Fiscal Agent	0	27,819	27,819
Receivables:			
Taxes	3,338,685	58,455	3,397,140
Inventory	0	2,297	2,297
Total Assets	10,526,724	709,276	11,236,000
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	57,896	1,384	59,280
Accrued Wages and Benefits	524,010	31,609	555,619
Deferred Revenue	3,210,485	58,455	3,268,940
Matured Bonds Payable	0	25,000	25,000
Matured Interest Payable	0	2,819	2,819
Total Liabilities	3,792,391	119,267	3,911,658
Fund Balances:			
Reserved for Encumbrances	173,947	4,704	178,651
Reserved for Inventory	0	2,297	2,297
Reserved for Property Tax Advances	128,200	0	128,200
Reserved for Set-Aside	24,056	0	24,056
Unreserved, Undesignated, Reported in:			
General Fund	6,408,130	0	6,408,130
Special Revenue Funds	0	317,825	317,825
Debt Service Funds	0	66,293	66,293
Capital Projects Funds	0	198,890	198,890
Total Fund Balances	6,734,333	590,009	7,324,342
Total Liabilities and Fund Balances	\$10,526,724	\$709,276	\$11,236,000

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2009

Total Governmental Fund Balances \$7,324,342

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 2,138,783

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes 184,464

Some liabilities reported in the statement of net assets do not
require the use of current financial resources and therefore
are not reported as liabilities in governmental funds.

Compensated Absences (620,134)

Long-term liabilities, are not due and payable in the current
period and therefore are not reported in the funds.

(58,455)

Net Assets of Governmental Activities

\$8,969,000

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$3,097,019	\$58,455	\$3,155,474
Tuition and Fees	60,331	130,955	191,286
Investment Earnings	234,839	0	234,839
Intergovernmental	3,845,289	246,423	4,091,712
Charges for Services	0	187,520	187,520
Other Revenues	9,884	32,823	42,707
Total Revenues	7,247,362	656,176	7,903,538
Expenditures:			
Current:			
Instruction:			
Regular	251,363	67	251,430
Special	149,295	0	149,295
Vocational	3,075,210	200,752	3,275,962
Adult/Continuing	57,462	282,466	339,928
Support Services:			
Pupil	464,421	97,313	561,734
Instructional Staff	102,626	59,740	162,366
General Administration	55,375	0	55,375
School Administration	393,220	3,764	396,984
Fiscal	438,857	0	438,857
Business	2,482	0	2,482
Operations and Maintenance	690,263	0	690,263
Central	110,261	0	110,261
Operation of Non-Instructional Services	0	198,498	198,498
Extracurricular Activities	30,904	0	30,904
Debt Service:			
Principal Retirement	0	58,456	58,456
Total Expenditures	5,821,739	901,056	6,722,795
Excess of Revenues Over (Under) Expenditures	1,425,623	(244,880)	1,180,743
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	2,850	0	2,850
Transfers In	0	290,000	290,000
Transfers (Out)	(290,000)	0	(290,000)
Total Other Financing Sources (Uses)	(287,150)	290,000	2,850
Net Change in Fund Balances	1,138,473	45,120	1,183,593
Fund Balances Beginning of Year	5,595,860	544,889	6,140,749
Fund Balances End of Year	\$6,734,333	\$590,009	\$7,324,342

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, 2009

Net Change in Fund Balances - Total Governmental Funds \$1,183,593

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	\$221,677	
Depreciation Expense	<u>(202,686)</u>	18,991

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. (58,725)

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

Delinquent Property Taxes		17,869
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 58,456

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	<u>(17,252)</u>	
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Change in Net Assets of Governmental Activities	<u>\$1,202,932</u>	
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See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$12,781	\$22,249
Total Assets	<u>12,781</u>	<u>22,249</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>22,249</u>
Total Liabilities	<u>0</u>	<u>\$22,249</u>
Net Assets:		
Held in Trust	<u>12,781</u>	
Total Net Assets	<u>\$12,781</u>	

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
Additions:	
Donations	\$3,131
Investment Earnings	43
Total Additions	<u>3,174</u>
Deductions:	
Scholarships	<u>7,374</u>
Total Deductions	<u>7,374</u>
Change in Net Assets	(4,200)
Net Assets Beginning of Year	<u>16,981</u>
Net Assets End of Year	<u><u>\$12,781</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, 2009**

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. It is staffed by 11 non-certificated employees, 36 certificated full-time teaching personnel and 3 administrative employees who provide services to 349 students and other community members. The District currently operates one instructional building.

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, a risk sharing pool and two insurance purchasing pools. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association, the Schools of Ohio Risk Sharing Authority, Inc., the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Clermont County Health Trust. These organizations and the District's participation are discussed in notes 13, 14 and 15 to the basic financial statements.

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 assets 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 and liabilities associated with the operation of the District are included on the statement of net assets. 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 and current liabilities 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.

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 liabilities 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 assets and changes in net assets. 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 revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Measurable means the amount of the transaction can be determined. 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 (see Note 4). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the 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, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. 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.

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.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

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 2009 amounted to \$234,839. Interest revenue was also recorded in the Private Purpose Trust Fund in the amount of \$43.

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.

INVENTORY

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

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 assets 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 fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). 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.

All reported capital assets are depreciated, except land. 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

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 twenty 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.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are 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 assets are available.

The government-wide statement of net assets reports \$582,521 of restricted net assets, 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 assets.

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.

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, inventory, budgetary set-asides and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. There are no prepaid items at year end.

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 reserve for budget stabilization.

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 and contractually required pension contributions 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. Long term loans are recognized as a liability on the statement of net assets when due.

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 assets and balance sheet as "Equity in Pooled Cash and Investments."

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

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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

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 is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2009, the District's bank balance of \$2,696,750 was either covered by federal deposit insurance or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2009, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal Home Loan Mortgage	\$300,000	4.63
Money Market Funds	4,707,464	0.00
STAR Ohio	235,710	0.16
Total Fair Value	<u>\$5,243,174</u>	
Portfolio Weighted Average Maturity		0.27

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 Mortgage were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Investments in STAR Ohio and in the Money Market Funds were rated AAAM by Standard & Poor’s.

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 6% in Federal Home Loan Mortgage, 90% in the Money Market Funds and 4% in STAROhio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its 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

Real property taxes collected in 2009 were levied after April 1, 2008 on the assessed values as of January 1, 2007 the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent re-evaluation was completed in January, 2007.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Effective 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. In 2009, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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, 2009. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2009 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 revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2009, was \$128,200 for General Fund and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2009 operations.

The assessed value, by property classification, upon which taxes collected in 2009 were based as follows:

	<u>Amount</u>
Tangible and Public Utility Personal	\$197,139,567
Real Estate	<u>682,441,990</u>
Total	<u><u>\$879,581,557</u></u>

NOTE 5 – RECEIVABLES

Receivables at June 30, 2009, consisted of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, 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
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	4,561,930	0	0	4,561,930
Equipment	<u>2,746,447</u>	<u>221,677</u>	<u>142,942</u>	<u>2,825,182</u>
Totals at Historical Cost	<u><u>7,408,377</u></u>	<u><u>221,677</u></u>	<u><u>142,942</u></u>	<u><u>7,487,112</u></u>
Less Accumulated Depreciation:				
Buildings and Improvements	3,276,252	113,317	0	3,389,569
Equipment	<u>1,953,608</u>	<u>89,369</u>	<u>84,217</u>	<u>1,958,760</u>
Total Accumulated Depreciation	<u><u>5,229,860</u></u>	<u><u>202,686</u></u>	<u><u>84,217</u></u>	<u><u>5,348,329</u></u>
Governmental Activities Capital Assets, Net	<u><u>\$2,178,517</u></u>	<u><u>\$18,991</u></u>	<u><u>\$58,725</u></u>	<u><u>\$2,138,783</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$601
Vocational	169,950
Adult/Continuing	1,625
Support Services:	
Pupils	2,549
Instructional Staff	603
School Administration	1,459
Fiscal	4,770
Operations and Maintenance	20,179
Pupil Transportation	200
Central	635
Operation of Non-Instructional Services	115
Total Depreciation Expense	<u><u>\$202,686</u></u>

NOTE 7 – LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Governmental Activities:					
Bonds					
1995 School Facilities Loan	\$116,911	\$0	\$58,456	\$58,455	\$58,455
Compensated Absences	<u>602,882</u>	<u>102,795</u>	<u>85,543</u>	<u>620,134</u>	<u>102,651</u>
Total Governmental Activities	<u><u>\$719,793</u></u>	<u><u>\$102,795</u></u>	<u><u>\$143,999</u></u>	<u><u>\$678,589</u></u>	<u><u>\$161,106</u></u>

The following is a summary of the District’s future annual debt service requirements for general obligations:

BONDED DEBT

Fiscal Year <u>Ending June 30,</u>	<u>Loan Principal</u>	<u>Loan Interest</u>	<u>Total</u>
2010	<u><u>\$58,455</u></u>	<u><u>\$0</u></u>	<u><u>\$58,455</u></u>

School Facilities Loan – On January 30, 1995, the U.S. Grant Joint Vocational School District obtained an interest free loan in the amount of \$876,830 for the purpose of purchasing, constructing, remodeling and equipping the U.S. Grant Joint Vocational School District addition pursuant to House Bill 808 and House Bill 723. The loan was issued for a fifteen-year period with final maturity during fiscal year 2010. The debt will be retired from the debt service fund.

Compensated Absences will be paid from the general, food service and adult basic education funds.

NOTE 8 - PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$96,889, \$113,465, and \$93,805, respectively; 93% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2009, 2008, and 2007 were \$443,468, \$457,297, and \$413,066, respectively; 87% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

NOTE 9 - POST EMPLOYMENT BENEFITS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75%. District contributions for the year ended June 30, 2009, 2008 and 2007 were \$5,190, \$5,511 and \$4,556, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; not may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$28,789, \$26,907, and \$22,245, respectively.

The SERS Retirement Board establishes 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.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$31,676, \$32,664, and \$29,505, respectively.

NOTE 10 – CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2009.

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 (\$1,000 occurrence deductible)	\$25,344,644
Crime Coverage:	
Employee Dishonesty/Faithful (\$1,000 occurrence deductible)	100,000
Forgery or Alteration (\$1,000 occurrence deductible)	100,000
Computer Fraud (\$1,000 occurrence deductible)	100,000
Theft Disappearance and Destruction (inside/outside) (\$1,000 occurrence deductible)	1,000,000

General Liability:	
Bodily Injury and Property Damage	5,000,000
Personal and Advertising Injury Limit – Each Offense	5,000,000
Products – Completed Operations Aggregate Limit	5,000,000
General Annual Aggregate	5,000,000
Fire Damage Limit – Any One Event	500,000
Medical Payments	5,000/25,000
Educators’ Legal Liability:	
Errors or Omissions Cover	1,000,000
Automobile Liability:	
Owned/Leased Vehicles	5,000,000
Hired and Non-owned Liability	Included
Medical Payments	5,000/25,000
Each Occurrence	5,000
Uninsured Motorist	2,000,000
Automobile Physical Damage (\$1,000 deductible)	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 2009, the District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

NOTE 12 – OTHER EMPLOYEE BENEFITS

A. Life and Accident Insurance

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

B. Employee Benefits

For fiscal year 2009, the District participated in the Clermont County Health Trust (the Trust) (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 Trustee 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 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, 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 8050 North High Street, Suite 160, Columbus, Ohio 43235.

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.

The Clermont County Health Trust – The Clermont County Health Trust (the "Trust"), 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 Health Trust, 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 Trustee delivered at least sixty days prior to the annual review date of the policy. The District made \$440,507 in financial contributions to the Clermont County Health Trust during fiscal year 2009. Financial information can be obtained from the Clermont County Health Trust at 2400 Clermont Center Drive, Batavia, OH 45103.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

Hamilton Clermont Cooperative Association/Unified Purchasing Association

The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association (H/CCA) to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that created the organization, but there is no ongoing financial interest or responsibility by the participating governments. The District made \$100 in financial contributions to the Hamilton/Clermont Cooperative Association/Unified Purchasing Association during fiscal year 2009. Complete financial statements for H/CCA Unified Purchasing Association can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Hamilton/Clermont Cooperative Association

The District is a participant in a two county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA 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 H/CCA consists of one representative from each of the participating members. The District paid \$14,436 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

NOTE 16 – STATUTORY RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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 textbooks and capital acquisition. Disclosure of the information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2008	(\$1,790,646)	\$0	\$24,056
Current Year Set Aside Requirements	53,057	53,057	0
Qualified Disbursements	<u>(415,760)</u>	<u>(454,945)</u>	<u>0</u>
Total	<u><u>(\$2,153,349)</u></u>	<u><u>(\$401,888)</u></u>	<u><u>\$24,056</u></u>
Set-Aside Balance Carried Forward to Future Years	<u><u>(\$2,153,349)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Set-Aside Reserve Balance as of June 30, 2009	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$24,056</u></u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for textbooks and capital acquisition, only the amount for the textbooks set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

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 reserve in accordance with the Act. As of June 30, 2009, the Board had not acted on the Senate Bill requirements to eliminate the reserve balance. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

NOTE 17 – INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2009, consisted of the following:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$0	\$290,000
Other Governmental Funds	<u>290,000</u>	<u>0</u>
Total All Funds	<u><u>\$290,000</u></u>	<u><u>\$290,000</u></u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

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, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,168,168	\$3,071,517	\$3,141,919	\$70,402
Tuition and Fees	60,835	67,070	60,331	(6,739)
Investment Earnings	236,801	225,000	234,839	9,839
Intergovernmental	3,877,414	3,970,831	3,845,289	(125,542)
Other Revenues	9,967	18,648	9,884	(8,764)
Total Revenues	<u>7,353,185</u>	<u>7,353,066</u>	<u>7,292,262</u>	<u>(60,804)</u>
Expenditures:				
Current:				
Instruction:				
Regular	283,305	290,149	250,565	39,584
Special	168,330	166,749	148,877	17,872
Vocational	3,582,270	3,423,826	3,168,288	255,538
Adult/Continuing	64,970	89,298	57,462	31,836
Support Services:				
Pupil	531,371	495,561	469,964	25,597
Instructional Staff	116,036	145,668	102,626	43,042
General Administration	77,388	79,483	68,445	11,038
School Administration	444,996	409,291	393,570	15,721
Fiscal	497,993	467,608	440,443	27,165
Business	2,804	6,748	2,480	4,268
Operations and Maintenance	846,362	1,044,646	748,553	296,093
Pupil Transportation	2,827	2,720	2,500	220
Central	124,668	124,447	110,261	14,186
Extracurricular Activities	42,605	55,125	37,681	17,444
Total Expenditures	<u>6,785,925</u>	<u>6,801,319</u>	<u>6,001,715</u>	<u>799,604</u>
Excess of Revenues Over (Under) Expenditures	<u>567,260</u>	<u>551,747</u>	<u>1,290,547</u>	<u>738,800</u>
Other financing sources (uses):				
Proceeds from Sale of Assets	2,874	2,993	2,850	(143)
Transfers (Out)	(327,893)	(312,500)	(290,000)	22,500
Total Other Financing Sources (Uses)	<u>(325,019)</u>	<u>(309,507)</u>	<u>(287,150)</u>	<u>22,357</u>
Net Change in Fund Balance	242,241	242,240	1,003,397	761,157
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>5,982,412</u>	<u>5,982,412</u>	<u>5,982,412</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$6,224,653</u></u>	<u><u>\$6,224,652</u></u>	<u><u>\$6,985,809</u></u>	<u><u>\$761,157</u></u>

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, 2009**

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 Board. The legal level of control has been established by 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 reflects 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 reflects the amounts on the final amended certificate of estimated resources issued during the fiscal year 2009.

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 reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis schedule for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,138,473
Net Adjustment for Revenue Accruals	44,900
Net Adjustment for Expenditure Accruals	21,251
Encumbrances	<u>(201,227)</u>
Budget Basis	<u><u>\$1,003,397</u></u>



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by
*Government Auditing Standards***

Members of the Board
U.S. Grant Joint Vocational School District
718 West Plane Street
Bethel, Ohio 45106

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the U.S. Grant Joint Vocational School District, Clermont County (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial misstatement.

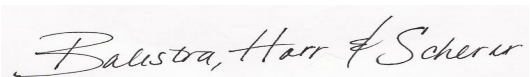
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 that we must report under *Government Auditing Standards*.

We noted certain non-compliance or other matters that we reported to the School District in a separate letter dated December 18, 2009.

We intend this report solely for the information and use of management, members of the Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 18, 2009



Independent Auditor's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether U.S. Grant Joint Vocational School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on February 27, 2008.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than this specified party.



Balestra, Harr & Scherer, CPAs, Inc.

December 18, 2009



Mary Taylor, CPA
Auditor of State

U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT
CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 4, 2010