

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016*

**RICK BERDINE, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Cuyahoga Valley Career Center  
8001 Brecksville Road  
Brecksville, Ohio 44141

We have reviewed the *Independent Auditor's Report* of the Cuyahoga Valley Career Center, Cuyahoga County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 Cuyahoga Valley Career Center is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 22, 2016

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**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

Cuyahoga Valley Career Center  
Cuyahoga County  
8001 Brecksville Road  
Brecksville, Ohio 44141

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cuyahoga Valley Career Center, Cuyahoga County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Cuyahoga Valley Career Center's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cuyahoga Valley Career Center, Cuyahoga County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Education funds thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary and Other Information***

Our audit was conducted to opine on the Cuyahoga Valley Career Center's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, on our consideration of the Cuyahoga Valley Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cuyahoga Valley Career Center's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 4, 2016

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The discussion and analysis of the Cuyahoga Valley Career Center's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- In total, net position of governmental activities increased \$1,877,618, which represents a 15.64% increase from 2015.
- General revenues accounted for \$14,172,969 in revenue or 86.51% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$2,209,825 or 13.49% of total revenues of \$16,382,794.
- The District had \$14,505,176 in expenses related to governmental activities; \$2,209,825 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,172,969 were adequate to provide for these programs.
- The District's largest major governmental fund is the general fund. The general fund had \$14,429,191 in revenues and \$12,883,821 in expenditures and other financing uses. During fiscal 2016, the general fund's fund balance increased from a balance of \$15,725,993 to \$17,269,912.
- The fund balance of the District's other major fund the adult education fund decreased \$121,068 from \$14,052 to a deficit of \$107,016.

**Using this Annual Financial Report**

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

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

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, adult education programs and food service operations.

The District's statement of net position and statement of activities can be found on pages 16-17 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and adult education fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-23 of this report.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26-62 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the net pension liability in this report on pages 63-69.

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**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2016 and June 30, 2015.

|  | <b>Net Position</b>                |                                    |
|--|------------------------------------|------------------------------------|
|  | Governmental<br>Activities<br>2016 | Governmental<br>Activities<br>2015 |
| <b><u>Assets</u></b>                         |                                    |                                    |
| Current and other assets                     | \$ 27,605,250                      | \$ 27,020,687                      |
| Capital assets                               | <u>16,603,941</u>                  | <u>16,663,926</u>                  |
| Total assets                                 | <u>44,209,191</u>                  | <u>43,684,613</u>                  |
| <b><u>Deferred outflows of resources</u></b> | <u>1,914,206</u>                   | <u>1,296,484</u>                   |
| <b><u>Liabilities</u></b>                    |                                    |                                    |
| Current liabilities                          | 1,375,534                          | 1,500,667                          |
| Long-term liabilities:                       |                                    |                                    |
| Due within one year                          | 236,694                            | 274,415                            |
| Due in more than one year:                   |                                    |                                    |
| Net pension liability                        | 19,691,421                         | 18,601,461                         |
| Other amounts                                | <u>1,043,082</u>                   | <u>1,395,880</u>                   |
| Total liabilities                            | <u>22,346,731</u>                  | <u>21,772,423</u>                  |
| <b><u>Deferred inflows of resources</u></b>  | <u>9,891,672</u>                   | <u>11,201,298</u>                  |
| <b><u>Net Position</u></b>                   |                                    |                                    |
| Net investment in capital assets             | 16,603,941                         | 16,627,245                         |
| Restricted                                   | 8,068                              | 178,547                            |
| Unrestricted (deficit)                       | <u>(2,727,015)</u>                 | <u>(4,798,416)</u>                 |
| Total net position                           | <u>\$ 13,884,994</u>               | <u>\$ 12,007,376</u>               |

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

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

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets exceeded liabilities plus deferred inflows of resources by \$13,884,994.

At year-end, capital assets represented 37.56% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2016, was \$16,603,941. 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. The District's total assets at June 30, 2016, increased from June 30, 2015, primarily as a result of an increase in capital assets.

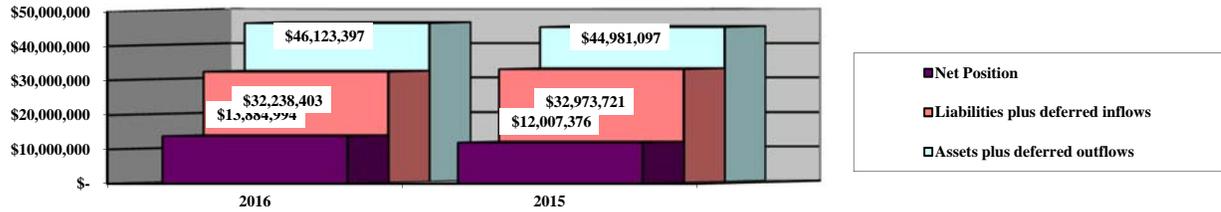
Total liabilities outstanding at June 30, 2016 increased \$574,308 from June 30, 2015, as a result of a decrease in the net pension liability.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

A portion of the District's net position at June 30, 2016, \$8,068, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted deficit net position of \$2,727,015 is the result of reporting the net pension liability in accordance with GASB Statement No. 68 (see Note 13 to the notes to the basic financial statements for detail).

**Governmental Activities**



The table below shows the changes in net position for governmental activities between 2016 and 2015.

**Change in Net Position**

|                                       | Governmental<br>Activities<br><u>2016</u> | Governmental<br>Activities<br><u>2015</u> |
|---------------------------------------|---|---|
| <b><u>Revenues</u></b>                |   |   |
| Program revenues:                     |   |   |
| Charges for services and sales        | \$ 1,447,026                              | \$ 1,296,834                              |
| Operating grants and contributions    | 762,799                                   | 747,197                                   |
| Capital grants and contributions      | -   | 1,354,982                                 |
| General revenues:                     |   |   |
| Property taxes                        | 10,511,935                                | 10,543,085                                |
| Payment in lieu of taxes              | 101,094                                   | 25,974                                    |
| Grants and entitlements               | 3,210,406                                 | 3,442,679                                 |
| Investment earnings                   | 134,788                                   | 50,961                                    |
| Increase in fair value of investments | 80,593                                    | 11,382                                    |
| Miscellaneous                         | <u>134,153</u>                            | <u>146,975</u>                            |
| Total revenues                        | \$ <u>16,382,794</u>                      | \$ <u>17,620,069</u>                      |

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Change in Net Position - (Continued)**

|  | <u>Governmental<br/>Activities<br/>2016</u> | <u>Governmental<br/>Activities<br/>2015</u> |
|--|---|---|
| <b><u>Expenses</u></b>                   |   |   |
| Program expenses:                        |   |   |
| Instruction:                             |   |   |
| Regular                                  | \$ 743,414                                  | \$ 736,148                                  |
| Vocational                               | 5,184,683                                   | 4,943,537                                   |
| Adult education                          | 1,148,105                                   | 1,246,129                                   |
| Support services:                        |   |   |
| Pupil                                    | 923,814                                     | 1,149,877                                   |
| Instructional staff                      | 1,157,891                                   | 935,921                                     |
| Board of education                       | 29,404                                      | 34,411                                      |
| Administration                           | 1,458,230                                   | 1,587,995                                   |
| Fiscal                                   | 605,151                                     | 659,566                                     |
| Business                                 | 558,528                                     | 440,390                                     |
| Operations and maintenance               | 1,242,925                                   | 1,312,553                                   |
| Pupil transportation                     | 24,735                                      | 16,384                                      |
| Central                                  | 151,851                                     | 161,953                                     |
| Operation of non-instructional services: |   |   |
| Other non-instructional services         | 1,515                                       | 205   |
| Food service operations                  | 129,656                                     | 124,312                                     |
| Extracurricular activities               | 60,586                                      | 70,667                                      |
| Pass through payments                    | -   | -   |
| On behalf payments for other entities    | 1,084,210                                   | 903,942                                     |
| Interest and fiscal charges              | 478   | 3,060                                       |
| Total expenses                           | <u>14,505,176</u>                           | <u>14,327,050</u>                           |
| Change in net position                   | 1,877,618                                   | 3,293,019                                   |
| Net position at beginning of year        | <u>12,007,376</u>                           | <u>8,714,357</u>                            |
| Net position at end of year              | <u>\$ 13,884,994</u>                        | <u>\$ 12,007,376</u>                        |

**Governmental Activities**

Net position of the District's governmental activities increased \$1,877,618 as a result of a decrease of 7.02% in overall revenues coupled with a 1.24% increase in expenses during fiscal year 2016. Total governmental expenses of \$14,505,176 were offset by program revenues of \$2,209,825 and general revenues of \$14,172,969. Program revenues supported 15.23% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from levied taxes and unrestricted grants and entitlements. These revenue sources represent 96.82% and 79.37% of total governmental revenue for fiscal years 2016 and 2015, respectively. The District operates at the 2-mill floor. Due to this, the District is able to receive the full advantage of property tax valuation increases.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

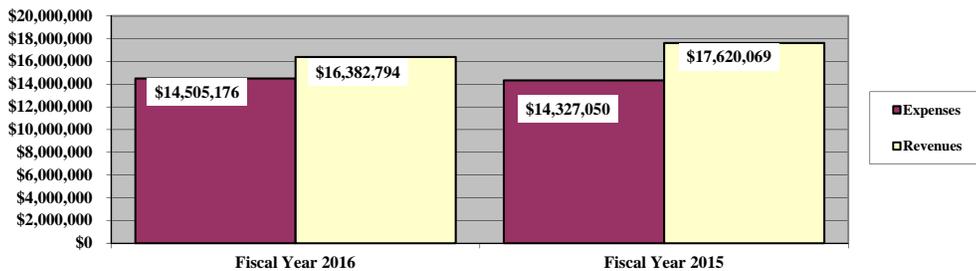
One mill of levied tax is a permanent tax. One mill is a 5-year tax that began in 1982 and has been renewed for another 5 years. Both levies are for current expenses. If the tax is renewed every 5 years, and the current tax structure remains in place, the District should have adequate funds for its operations at least through the foreseeable future. Property tax revenue decreased by \$31,150, or 0.30%, compared to fiscal year 2015.

The District's financial condition has been very positive in recent years, primarily due to the increasing valuations of the property in our District. Unfortunately, state legislation was passed to decrease tax collections on certain groups of assets. During fiscal year 2016, the District did not receive a reimbursement for the loss of revenue from the State for the phase-out of the tangible personal property tax. If the state foundation formula remains unchanged, the District's foundation revenue will remain the same due to our guarantee status. During fiscal year 2016, unrestricted grants and entitlement revenue decreased slightly by \$232,273.

The District realized a year of slight overall expenses due to the continuation of the budget cuts, the shutdown of the Business Education program, elimination of administrative positions and reduction in force made by the Board of Education in fiscal year 2014.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2016 and 2015.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**CUYAHOGA VALLEY CAREER CENTER  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

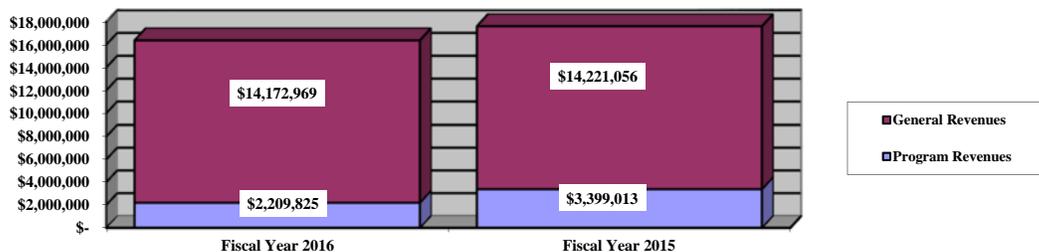
**Governmental Activities**

|  | Total Cost of<br>Services<br><u>2016</u> | Net Cost of<br>Services<br><u>2016</u> | Total Cost of<br>Services<br><u>2015</u> | Net Cost of<br>Services<br><u>2015</u> |
|--|--|--|--|--|
| <b>Program expenses</b>                  |  |  |  |  |
| Instruction:                             |  |  |  |  |
| Regular                                  | \$ 743,414                               | \$ 743,414                             | \$ 736,148                               | \$ 736,148                             |
| Vocational                               | 5,184,683                                | 4,833,079                              | 4,943,537                                | 3,258,724                              |
| Adult Education                          | 1,148,105                                | (20,022)                               | 1,246,129                                | 207,544                                |
| Support services:                        |  |  |  |  |
| Pupil                                    | 923,814                                  | 922,879                                | 1,149,877                                | 1,148,177                              |
| Instructional staff                      | 1,157,891                                | 1,089,637                              | 935,921                                  | 850,292                                |
| Board of education                       | 29,404                                   | 29,404                                 | 34,411                                   | 34,411                                 |
| Administration                           | 1,458,230                                | 1,131,494                              | 1,587,995                                | 1,303,839                              |
| Fiscal                                   | 605,151                                  | 605,151                                | 659,566                                  | 659,566                                |
| Business                                 | 558,528                                  | 558,528                                | 440,390                                  | 440,390                                |
| Operations and maintenance               | 1,242,925                                | 1,224,344                              | 1,312,553                                | 1,294,901                              |
| Pupil transportation                     | 24,735                                   | 24,735                                 | 16,384                                   | 16,384                                 |
| Central                                  | 151,851                                  | 3,019                                  | 161,953                                  | 10,066                                 |
| Operation of non-instructional services: |  |  |  |  |
| Other non-instructional services         | 1,515                                    | 1,515                                  | 205                                      | 205                                    |
| Food service operations                  | 129,656                                  | 20,678                                 | 124,312                                  | 4,480                                  |
| Extracurricular activities               | 60,586                                   | 42,808                                 | 70,667                                   | 55,908                                 |
| On behalf payments for other entities    | 1,084,210                                | 1,084,210                              | 903,942                                  | 903,942                                |
| Interest and fiscal charges              | <u>478</u>                               | <u>478</u>                             | <u>3,060</u>                             | <u>3,060</u>                           |
| <b>Total expenses</b>                    | <b><u>\$ 14,505,176</u></b>              | <b><u>\$ 12,295,351</u></b>            | <b><u>\$ 14,327,050</u></b>              | <b><u>\$ 10,928,037</u></b>            |

The dependence upon taxes and other general revenues for governmental activities is apparent; 78.52% and 60.68% of instruction activities are supported through taxes and other general revenues for fiscal years 2016 and 2015, respectively. For all governmental activities, general revenue support is 84.77% for fiscal year 2016. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

**Governmental Activities - General and Program Revenues**



**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$17,684,257, which is higher than last year's total of \$16,566,908. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

|                    | Fund Balance<br><u>June 30, 2016</u> | Fund Balance<br><u>June 30, 2015</u> | Increase<br><u>(Decrease)</u> |
|--------------------|--------------------------------------|--------------------------------------|-------------------------------|
| General            | \$ 17,269,912                        | \$ 15,725,993                        | \$ 1,543,919                  |
| Adult Education    | (107,016)                            | 14,052                               | (121,068)                     |
| Other Governmental | <u>521,361</u>                       | <u>826,863</u>                       | <u>(305,502)</u>              |
| Total              | <u>\$ 17,684,257</u>                 | <u>\$ 16,566,908</u>                 | <u>\$ 1,117,349</u>           |

**General Fund**

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

|   | 2016<br><u>Amount</u> | 2015<br><u>Amount</u> | Percentage<br><u>Change</u> |
|---|-----------------------|-----------------------|-----------------------------|
| <b><u>Revenues</u></b>                              |                       |                       |                             |
| Taxes   | \$ 10,539,286         | \$ 10,656,730         | (1.10) %                    |
| Earnings on investments                             | 128,911               | 47,106                | 173.66 %                    |
| Increase (decrease) in fair value<br>of investments | 80,593                | 11,382                | 608.07 %                    |
| Intergovernmental                                   | 3,210,406             | 3,442,679             | (6.75) %                    |
| Other revenues                                      | <u>469,995</u>        | <u>388,123</u>        | 21.09 %                     |
| Total   | <u>\$ 14,429,191</u>  | <u>\$ 14,546,020</u>  | (0.80) %                    |
| <b><u>Expenditures</u></b>                          |                       |                       |                             |
| Instruction   | \$ 5,042,330          | \$ 4,991,840          | 1.01 %                      |
| Support services                                    | 5,819,100             | 5,824,296             | (0.09) %                    |
| Other non-instructional services                    | 3,527                 | 205                   | 1,620.49 %                  |
| Extracurricular activities                          | 60,586                | 70,667                | (14.27) %                   |
| On behalf payments for other entities               | 1,151,761             | 949,775               | 21.27 %                     |
| Facilities acquisition and construction             | 83,358                | 94,105                | (11.42) %                   |
| Debt service  | <u>37,159</u>         | <u>69,010</u>         | (46.15) %                   |
| Total   | <u>\$ 12,197,821</u>  | <u>\$ 11,999,898</u>  | 1.65 %                      |

The general fund balance increased by \$1,543,919 during fiscal year 2016. Tax revenue decreased 1.10%, when compared to the prior fiscal year. This is due to a fluctuation in the amount of tax advance available at June 30, 2016 and June 30, 2015. The increase in earnings on investments is due to higher interest rates and better return on investments compared to the prior fiscal year. Other revenues increased 21.09%, which is primarily due to reimbursements received in fiscal year 2016.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Overall, expenditures increased slightly by 1.65% during fiscal year 2016, due to a continuation of overall budget cuts and reduction in programs, staff and administrators made in prior fiscal years. Facilities acquisition and construction expenditures decreased as the District had fewer repair and maintenance expenditures paid from the general fund during fiscal year 2016. On behalf payments for other entities increased from costs related to career development and partnership services with local districts. Debt service expenditures decreased as fiscal year 2016 was the last year of the principal and interest payments due on the capital lease obligation. Although the variance in the area of extracurricular and other non-instructional services was significant, the dollar amount was not.

The general fund also transferred out \$686,000 to the permanent improvement nonmajor capital projects fund during fiscal year 2016. The transfers to the permanent improvement fund were for a new building addition that was completed and opened in January 2016.

***Adult Education***

The District's adult education fund balance decreased \$120,308 during fiscal year 2016. Overall revenues and expenditures in the adult education fund were comparable to 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.

During the course of fiscal year 2016, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$11,442,585 and \$13,784,436, respectively. Actual revenues and other financing sources for fiscal 2016 was \$14,417,691. This represents a \$2,975,106 increase from original budgeted revenues. This is an increase of 20.47%, which is primarily due to intergovernmental revenue and taxes estimates in the forecasted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,586,081 were decreased to \$14,373,690 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$13,504,087, which was \$869,603 less than the final budget appropriations. The decreases in appropriations were caused by the District's conservative spending.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Capital Assets**

At the end of fiscal 2016, the District had \$16,603,941 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2016 balances compared to 2015:

| <b>Capital Assets at June 30<br/>(Net of Depreciation)</b> |                      |                      |
|--|----------------------|----------------------|
| <u>Governmental Activities</u>                             |                      |                      |
|  | <u>2016</u>          | <u>2015</u>          |
| Land   | \$ 563,010           | \$ 563,010           |
| Construction in progress                                   | -                    | 286,583              |
| Building and improvements                                  | 13,384,328           | 12,986,138           |
| Furniture and equipment                                    | 2,626,199            | 2,789,997            |
| Vehicles   | <u>30,404</u>        | <u>38,198</u>        |
| Total  | <u>\$ 16,603,941</u> | <u>\$ 16,663,926</u> |

Total additions to capital assets for 2016 were \$1,272,891, total disposals were \$431,433 (net of accumulated depreciation) and depreciation expense was \$901,443.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

**Debt Administration**

During 2011 the District entered into a capital lease for copier equipment. The capital lease obligation was paid in full during fiscal year 2016. See Notes 9 and 10 to the basic financial statements for additional information on the District's capital lease.

**Current Related Financial Activities**

The District has carefully managed its general fund budget in order to optimize the dollars available for educating the students and community it serves, and to minimize the cost from the citizens while maximizing the opportunities available. The District is always presented with challenges and opportunities. National events economically affect the School District and the surrounding area. Yet, the District has a strong financial outlook.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed additional revenue growth toward the support of School Districts with little property tax wealth. Cuyahoga Valley Career Center is a high wealth tax district. The reliance of the District on property tax will increase while the contribution from the state remains stagnant.

The District has committed itself to educational and financial excellence for many years. The District, with Board guidance, is committed to providing the necessary preparation for youth and adults to enter, compete, and advance in an ever-changing work world by being a responsive leader to technical and career needs of our community.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 Mr. Richard Berdine, Treasurer/CFO, Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

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**BASIC  
FINANCIAL STATEMENTS**

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**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>   |                                    |
| Equity in pooled cash and cash equivalents. . . . .                  | \$ 5,325,678                       |
| Investments. . . . .   | 11,154,064                         |
| Receivables:   |                                    |
| Taxes . . . . .  | 10,991,270                         |
| Payment in lieu of taxes . . . . .                                   | 52,932                             |
| Accounts. . . . .  | 8,379                              |
| Accrued interest . . . . .   | 28,856                             |
| Loans. . . . .   | 20,000                             |
| Prepayments . . . . .  | 4,500                              |
| Materials and supplies inventory. . . . .                            | 19,571                             |
| Capital assets:  |                                    |
| Nondepreciable capital assets . . . . .                              | 563,010                            |
| Depreciable capital assets, net. . . . .                             | 16,040,931                         |
| Capital assets, net . . . . .  | 16,603,941                         |
| Total assets. . . . .  | 44,209,191                         |
| <b>Deferred outflows of resources:</b>                               |                                    |
| Pension - STRS . . . . .   | 1,507,253                          |
| Pension - SERS . . . . .   | 406,953                            |
| Total deferred outflows of resources . . . . .                       | 1,914,206                          |
| <b>Liabilities:</b>  |                                    |
| Accounts payable. . . . .  | 156,374                            |
| Accrued wages and benefits payable . . . . .                         | 1,035,205                          |
| Pension and postemployment benefits payable . . . . .                | 164,437                            |
| Intergovernmental payable . . . . .                                  | 18,936                             |
| Unearned revenue . . . . .   | 582                                |
| Long-term liabilities:   |                                    |
| Due within one year. . . . .   | 236,694                            |
| Due in more than one year:   |                                    |
| Net pension liability (See Note 13) . . . . .                        | 19,691,421                         |
| Other amounts due in more than one year. . . . .                     | 1,043,082                          |
| Total liabilities . . . . .  | 22,346,731                         |
| <b>Deferred inflows of resources:</b>                                |                                    |
| Property taxes levied for the next fiscal year. . . . .              | 7,400,958                          |
| Payment in lieu of taxes levied for the<br>next fiscal year. . . . . | 52,932                             |
| Pension - STRS. . . . .  | 1,671,691                          |
| Pension - SERS. . . . .  | 766,091                            |
| Total deferred inflows of resources . . . . .                        | 9,891,672                          |
| <b>Net position:</b>   |                                    |
| Investment in capital assets . . . . .                               | 16,603,941                         |
| Restricted for:  |                                    |
| Food service operations . . . . .                                    | 4,465                              |
| Unclaimed monies. . . . .  | 3,603                              |
| Unrestricted (deficit) . . . . .                                     | (2,727,015)                        |
| Total net position. . . . .  | \$ 13,884,994                      |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|  | <u>Program Revenues</u>     |   |   | <b>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position<br/>Governmental<br/>Activities</b> |
|--|-----------------------------|---|---|--|
|  | <u>Expenses</u>             | <u>Charges for<br/>Services and Sales</u> | <u>Operating Grants<br/>and Contributions</u> |  |
| <b>Governmental activities:</b>  |                             |   |   |  |
| Instruction:   |                             |   |   |  |
| Regular . . . . .  | \$ 743,414                  | \$ -                                      | \$ -  | \$ (743,414)   |
| Vocational . . . . .   | 5,184,683                   | 171,784                                   | 179,820                                       | (4,833,079)  |
| Adult education . . . . .  | 1,148,105                   | 913,384                                   | 254,743                                       | 20,022   |
| Support services:  |                             |   |   |  |
| Pupil . . . . .  | 923,814                     | 935                                       | -   | (922,879)  |
| Instructional staff . . . . .  | 1,157,891                   | 24,743                                    | 43,511  | (1,089,637)  |
| Board of education . . . . .   | 29,404                      | -   | -   | (29,404)   |
| Administration . . . . .   | 1,458,230                   | 243,726                                   | 83,010  | (1,131,494)  |
| Fiscal . . . . .   | 605,151                     | -   | -   | (605,151)  |
| Business . . . . .   | 558,528                     | -   | -   | (558,528)  |
| Operations and maintenance . . . . .                                     | 1,242,925                   | 18,581                                    | -   | (1,224,344)  |
| Pupil transportation . . . . .   | 24,735                      | -   | -   | (24,735)   |
| Central . . . . .  | 151,851                     | -   | 148,832                                       | (3,019)  |
| Operation of non-instructional<br>services:                              |                             |   |   |  |
| Other non-instructional services . . . . .                               | 1,515                       | -   | -   | (1,515)  |
| Food service operations . . . . .  | 129,656                     | 56,095                                    | 52,883  | (20,678)   |
| Extracurricular activities . . . . .                                     | 60,586                      | 17,778                                    | -   | (42,808)   |
| On behalf payments for other entities . . . . .                          | 1,084,210                   | -   | -   | (1,084,210)  |
| Interest and fiscal charges . . . . .                                    | 478                         | -   | -   | (478)  |
| <b>Total governmental activities . . . . .</b>                           | <b><u>\$ 14,505,176</u></b> | <b><u>\$ 1,447,026</u></b>                | <b><u>\$ 762,799</u></b>                      | <b><u>(12,295,351)</u></b>   |
| <b>General revenues:</b>   |                             |   |   |  |
| Property taxes levied for:   |                             |   |   |  |
| General purposes . . . . .   |                             |   |   | 10,511,935   |
| Payments in lieu of taxes . . . . .                                      |                             |   |   | 101,094  |
| Grants and entitlements not restricted<br>to specific programs . . . . . |                             |   |   | 3,210,406  |
| Investment earnings . . . . .  |                             |   |   | 134,788  |
| Increase in fair value of investments . . . . .                          |                             |   |   | 80,593   |
| Miscellaneous . . . . .  |                             |   |   | 134,153  |
| <b>Total general revenues . . . . .</b>                                  |                             |   |   | <b><u>14,172,969</u></b>   |
| Change in net position . . . . .   |                             |   |   | 1,877,618  |
| <b>Net position at beginning of year . . . . .</b>                       |                             |   |   | <b><u>12,007,376</u></b>   |
| <b>Net position at end of year . . . . .</b>                             |                             |   |   | <b><u>\$ 13,884,994</u></b>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

|   | <u>General</u>       | <u>Adult<br/>Education</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|----------------------|----------------------------|--|---|
| <b>Assets:</b>  |                      |                            |  |   |
| Equity in pooled cash and cash equivalents. . . . .               | \$ 4,458,613         | \$ 282,679                 | \$ 584,386                                 | \$ 5,325,678                            |
| Investments. . . . .  | 11,154,064           | -                          | -  | 11,154,064                              |
| Receivables:  |                      |                            |  |   |
| Taxes. . . . .  | 10,991,270           | -                          | -  | 10,991,270                              |
| Payment in lieu of taxes . . . . .                                | 52,932               | -                          | -  | 52,932                                  |
| Accounts . . . . .  | 5,446                | 1,929                      | 1,004                                      | 8,379                                   |
| Accrued interest . . . . .  | 28,856               | -                          | -  | 28,856                                  |
| Interfund loans . . . . .   | 230,000              | -                          | -  | 230,000                                 |
| Loans . . . . .   | 20,000               | -                          | -  | 20,000                                  |
| Prepayments. . . . .  | 4,500                | -                          | -  | 4,500                                   |
| Materials and supplies inventory . . . . .                        | 8,673                | 7,329                      | 3,569                                      | 19,571                                  |
| Total assets . . . . .  | <u>\$ 26,954,354</u> | <u>\$ 291,937</u>          | <u>\$ 588,959</u>                          | <u>\$ 27,835,250</u>                    |
| <b>Liabilities:</b>   |                      |                            |  |   |
| Accounts payable . . . . .  | 120,764              | 1,859                      | 33,751                                     | 156,374                                 |
| Accrued wages and benefits payable . . . . .                      | 936,665              | 96,713                     | 1,827                                      | 1,035,205                               |
| Compensated absences payable . . . . .                            | 126,332              | 84,256                     | -  | 210,588                                 |
| Pension and postemployment benefits payable . . . . .             | 147,782              | 14,661                     | 1,994                                      | 164,437                                 |
| Intergovernmental payable . . . . .                               | 17,446               | 1,464                      | 26   | 18,936                                  |
| Interfund loans payable. . . . .                                  | -                    | 200,000                    | 30,000                                     | 230,000                                 |
| Unearned revenue. . . . .   | 582                  | -                          | -  | 582                                     |
| Total liabilities . . . . .                                       | <u>1,349,571</u>     | <u>398,953</u>             | <u>67,598</u>                              | <u>1,816,122</u>                        |
| <b>Deferred inflows of resources:</b>                             |                      |                            |  |   |
| Property taxes levied for the next fiscal year. . . . .           | 7,400,958            | -                          | -  | 7,400,958                               |
| Payment in lieu of taxes levied for the next fiscal year. . . . . | 52,932               | -                          | -  | 52,932                                  |
| Delinquent property tax revenue not available. . . . .            | 867,683              | -                          | -  | 867,683                                 |
| Accrued interest not available . . . . .                          | 13,298               | -                          | -  | 13,298                                  |
| Total deferred inflows of resources . . . . .                     | <u>8,334,871</u>     | <u>-</u>                   | <u>-</u>                                   | <u>8,334,871</u>                        |
| <b>Fund balances:</b>   |                      |                            |  |   |
| Nonspendable:   |                      |                            |  |   |
| Materials and supplies inventory . . . . .                        | 8,673                | 7,329                      | 3,569                                      | 19,571                                  |
| Prepays. . . . .  | 4,500                | -                          | -  | 4,500                                   |
| Restricted:   |                      |                            |  |   |
| Food service operations . . . . .                                 | -                    | -                          | 19,322                                     | 19,322                                  |
| Unclaimed monies . . . . .  | 3,603                | -                          | -  | 3,603                                   |
| Committed:  |                      |                            |  |   |
| Capital improvements . . . . .                                    | -                    | -                          | 503,470                                    | 503,470                                 |
| Assigned:   |                      |                            |  |   |
| Student instruction . . . . .                                     | 71,404               | -                          | -  | 71,404                                  |
| Student and staff support. . . . .                                | 430,499              | -                          | -  | 430,499                                 |
| Facilities acquisition and construction . . . . .                 | 93,100               | -                          | -  | 93,100                                  |
| Subsequent year appropriations . . . . .                          | 1,035,301            | -                          | -  | 1,035,301                               |
| Other purposes. . . . .   | 157,210              | -                          | -  | 157,210                                 |
| Unassigned (deficit). . . . .                                     | 15,465,622           | (114,345)                  | (5,000)                                    | 15,346,277                              |
| Total fund balances . . . . .                                     | <u>17,269,912</u>    | <u>(107,016)</u>           | <u>521,361</u>                             | <u>17,684,257</u>                       |
| Total liabilities, deferred inflows and fund balances . . . . .   | <u>\$ 26,954,354</u> | <u>\$ 291,937</u>          | <u>\$ 588,959</u>                          | <u>\$ 27,835,250</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

|   |    |                     |                    |
|---|----|---------------------|--------------------|
| <b>Total governmental fund balances</b>   |    | \$                  | 17,684,257         |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i>   |    |                     |                    |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |    |                     | 16,603,941         |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.  |    |                     |                    |
| Property taxes receivable   | \$ | 867,683             |                    |
| Accrued interest receivable   |    | 13,298              |                    |
| Total   |    | <u>880,981</u>      | 880,981            |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds: |    |                     |                    |
| Deferred outflows of resources - pension  |    | 1,914,206           |                    |
| Deferred inflows of resources - pension   |    | (2,437,782)         |                    |
| Net pension liability   |    | <u>(19,691,421)</u> |                    |
| Total   |    |                     | (20,214,997)       |
| Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.   |    |                     | <u>(1,069,188)</u> |
| <b>Net position of governmental activities</b>  |    | <u>\$</u>           | <u>13,884,994</u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   | <u>General</u>       | <u>Adult<br/>Education</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|----------------------|----------------------------|--|---|
| <b>Revenues:</b>  |                      |                            |  |   |
| From local sources:   |                      |                            |  |   |
| Taxes . . . . .   | \$ 10,539,286        | \$ -                       | \$ -                                       | \$ 10,539,286                           |
| Payment in lieu of taxes . . . . .                                  | 101,094              | -                          | -  | 101,094                                 |
| Tuition . . . . .   | 45,487               | 1,067,935                  | -  | 1,113,422                               |
| Charges for services . . . . .                                      | 17,471               | -                          | 56,095                                     | 73,566                                  |
| Earnings on investments . . . . .                                   | 128,911              | -                          | -  | 128,911                                 |
| Increase in fair value of investments . . . . .                     | 80,593               | -                          | -  | 80,593                                  |
| Classroom materials and fees . . . . .                              | 94,638               | 85,509                     | -  | 180,147                                 |
| Rental income . . . . .   | 54,243               | -                          | -  | 54,243                                  |
| Contributions and donations . . . . .                               | 8,845                | -                          | -  | 8,845                                   |
| Customer services . . . . .   | 14,189               | 2,739                      | -  | 16,928                                  |
| Other local revenues . . . . .                                      | 134,028              | 5,313                      | 40   | 139,381                                 |
| Intergovernmental - State . . . . .                                 | 3,210,406            | 315,039                    | 17,752                                     | 3,543,197                               |
| Intergovernmental - Federal . . . . .                               | -                    | -                          | 435,188                                    | 435,188                                 |
| Total revenues . . . . .  | <u>14,429,191</u>    | <u>1,476,535</u>           | <u>509,075</u>                             | <u>16,414,801</u>                       |
| <b>Expenditures:</b>  |                      |                            |  |   |
| Current:  |                      |                            |  |   |
| Instruction:  |                      |                            |  |   |
| Regular . . . . .   | 808,690              | -                          | -  | 808,690                                 |
| Vocational . . . . .  | 4,233,640            | -                          | 345,321                                    | 4,578,961                               |
| Adult education . . . . .   | -                    | 1,199,417                  | 14,123                                     | 1,213,540                               |
| Support services:   |                      |                            |  |   |
| Pupil . . . . .   | 1,008,907            | -                          | -  | 1,008,907                               |
| Instructional staff . . . . .                                       | 1,080,996            | -                          | 189,498                                    | 1,270,494                               |
| Board of education . . . . .  | 30,306               | -                          | -  | 30,306                                  |
| Administration . . . . .  | 1,169,174            | 397,426                    | 3,280                                      | 1,569,880                               |
| Fiscal . . . . .  | 625,035              | -                          | -  | 625,035                                 |
| Business . . . . .  | 601,063              | -                          | -  | 601,063                                 |
| Operations and maintenance . . . . .                                | 1,278,563            | -                          | -  | 1,278,563                               |
| Pupil transportation . . . . .                                      | 24,889               | -                          | -  | 24,889                                  |
| Central . . . . .   | 167                  | -                          | 148,851                                    | 149,018                                 |
| Operation of non-instructional services:                            |                      |                            |  |   |
| Other non-instructional services . . . . .                          | 3,527                | -                          | -  | 3,527                                   |
| Food service operations . . . . .                                   | -                    | -                          | 98,610                                     | 98,610                                  |
| Extracurricular activities . . . . .                                | 60,586               | -                          | -  | 60,586                                  |
| On behalf payments for other entities . . . . .                     | 1,151,761            | -                          | -  | 1,151,761                               |
| Facilities acquisition and construction . . . . .                   | 83,358               | -                          | 701,150                                    | 784,508                                 |
| Debt service:   |                      |                            |  |   |
| Principal retirement . . . . .                                      | 36,681               | -                          | -  | 36,681                                  |
| Interest and fiscal charges . . . . .                               | 478                  | -                          | -  | 478                                     |
| Total expenditures . . . . .  | <u>12,197,821</u>    | <u>1,596,843</u>           | <u>1,500,833</u>                           | <u>15,295,497</u>                       |
| Excess (deficiency) of revenues over (under) expenditures . . . . . | <u>2,231,370</u>     | <u>(120,308)</u>           | <u>(991,758)</u>                           | <u>1,119,304</u>                        |
| <b>Other financing sources (uses):</b>                              |                      |                            |  |   |
| Transfers in . . . . .  | -                    | -                          | 686,000                                    | 686,000                                 |
| Transfers (out) . . . . .   | <u>(686,000)</u>     | <u>-</u>                   | <u>-</u>                                   | <u>(686,000)</u>                        |
| Total other financing sources (uses) . . . . .                      | <u>(686,000)</u>     | <u>-</u>                   | <u>686,000</u>                             | <u>-</u>                                |
| Net change in fund balances . . . . .                               | 1,545,370            | (120,308)                  | (305,758)                                  | 1,119,304                               |
| <b>Fund balances at beginning of year . . . . .</b>                 | 15,725,993           | 14,052                     | 826,863                                    | 16,566,908                              |
| <b>Increase (decrease) in reserve for inventory . . . . .</b>       | <u>(1,451)</u>       | <u>(760)</u>               | <u>256</u>                                 | <u>(1,955)</u>                          |
| <b>Fund balances (deficit) at end of year . . . . .</b>             | <u>\$ 17,269,912</u> | <u>\$ (107,016)</u>        | <u>\$ 521,361</u>                          | <u>\$ 17,684,257</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|  |                  |                         |
|--|------------------|-------------------------|
| <b>Net change in fund balances - total governmental funds</b>  | \$               | 1,119,304               |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>  |                  |                         |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.             |                  |                         |
| Capital asset additions  | \$ 986,308       |                         |
| Current year depreciation  | <u>(901,443)</u> |                         |
| Total  |                  | 84,865                  |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.  |                  |                         |
|  |                  | (144,850)               |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.   |                  |                         |
|  |                  | (1,955)                 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                  |                         |
| Property taxes   | (27,351)         |                         |
| Earnings on investments  | 5,877            |                         |
| Intergovernmental  | <u>(10,533)</u>  |                         |
| Total  |                  | (32,007)                |
| Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.  |                  |                         |
|  |                  | 36,681                  |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.                                |                  |                         |
|  |                  | 1,137,113               |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.   |                  |                         |
|  |                  | (709,937)               |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. |                  |                         |
|  |                  | <u>388,404</u>          |
| <b>Change in net position of governmental activities</b>   | <b>\$</b>        | <b><u>1,877,618</u></b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   | Budgeted Amounts     |                      |                      | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|----------------------|----------------------|----------------------|---|
|   | Original             | Final                | Actual               |   |
| <b>Revenues:</b>                                      |                      |                      |                      |   |
| From local sources:                                   |                      |                      |                      |   |
| Property taxes . . . . .                              | \$ 8,034,573         | \$ 9,678,938         | \$ 10,123,587        | \$ 444,649  |
| Payment in lieu of taxes . . . . .                    | 79,986               | 96,355               | 100,782              | 4,427   |
| Tuition . . . . .                                     | 36,101               | 43,489               | 45,487               | 1,998   |
| Earnings on investments . . . . .                     | 95,979               | 115,622              | 120,934              | 5,312   |
| Classroom materials and fees . . . . .                | 43,461               | 52,356               | 54,761               | 2,405   |
| Rental income . . . . .                               | 14,062               | 16,940               | 17,718               | 778   |
| Other local revenues . . . . .                        | 5,875                | 7,078                | 7,403                | 325   |
| Intergovernmental - State . . . . .                   | 2,550,117            | 3,072,027            | 3,213,155            | 141,128   |
| Total revenues . . . . .                              | <u>10,860,154</u>    | <u>13,082,805</u>    | <u>13,683,827</u>    | <u>601,022</u>  |
| <b>Expenditures:</b>                                  |                      |                      |                      |   |
| Current:  |                      |                      |                      |   |
| Instruction:  |                      |                      |                      |   |
| Regular . . . . .                                     | 839,666              | 759,651              | 777,380              | (17,729)  |
| Vocational . . . . .                                  | 4,619,361            | 4,592,160            | 4,276,697            | 315,463   |
| Support services:                                     |                      |                      |                      |   |
| Pupil . . . . .                                       | 1,102,878            | 1,061,699            | 1,021,067            | 40,632  |
| Instructional staff . . . . .                         | 1,205,294            | 1,217,086            | 1,115,885            | 101,201   |
| Board of education . . . . .                          | 34,104               | 50,163               | 31,574               | 18,589  |
| Administration . . . . .                              | 1,402,382            | 1,347,500            | 1,298,353            | 49,147  |
| Fiscal . . . . .                                      | 713,377              | 713,400              | 660,459              | 52,941  |
| Business . . . . .                                    | 679,548              | 726,755              | 629,139              | 97,616  |
| Operations and maintenance . . . . .                  | 1,443,010            | 1,424,565            | 1,335,968            | 88,597  |
| Pupil transportation . . . . .                        | 28,227               | 32,055               | 26,133               | 5,922   |
| Central . . . . .                                     | 180                  | 174                  | 167                  | 7   |
| Operation of non-instructional services . . . . .     | 3,811                | -                    | 3,528                | (3,528)   |
| Facilities acquisition and construction . . . . .     | 190,387              | 179,692              | 176,264              | 3,428   |
| On behalf payments for other entities . . . . .       | 1,321,692            | 1,265,541            | 1,223,649            | 41,892  |
| Total expenditures . . . . .                          | <u>13,583,917</u>    | <u>13,370,441</u>    | <u>12,576,263</u>    | <u>794,178</u>  |
| Excess of revenues over expenditures . . . . .        | <u>(2,723,763)</u>   | <u>(287,636)</u>     | <u>1,107,564</u>     | <u>1,395,200</u>  |
| <b>Other financing sources (uses):</b>                |                      |                      |                      |   |
| Refund of prior year expenditures . . . . .           | 2,487                | 2,995                | 3,133                | 138   |
| Refund of prior year receipts . . . . .               | (81)                 | (500)                | (75)                 | 425   |
| Transfers (out) . . . . .                             | (324,037)            | (375,000)            | (300,000)            | 75,000  |
| Advances in . . . . .                                 | 579,944              | 698,636              | 730,731              | 32,095  |
| Advances (out) . . . . .                              | (678,046)            | (627,749)            | (627,749)            | -   |
| Total other financing sources (uses) . . . . .        | <u>(419,733)</u>     | <u>(301,618)</u>     | <u>(193,960)</u>     | <u>107,658</u>  |
| Net change in fund balance . . . . .                  | (3,143,496)          | (589,254)            | 913,604              | 1,502,858   |
| <b>Fund balance at beginning of year . . . . .</b>    | 13,055,620           | 13,055,620           | 13,055,620           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b> | 651,276              | 651,276              | 651,276              | -   |
| <b>Fund balance at end of year . . . . .</b>          | <u>\$ 10,563,400</u> | <u>\$ 13,117,642</u> | <u>\$ 14,620,500</u> | <u>\$ 1,502,858</u>                                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ADULT EDUCATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   | <u>Budgeted Amounts</u> |                  |                   | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>     | <u>Actual</u>     |   |
| <b>Revenues:</b>  |                         |                  |                   |   |
| From local sources:   |                         |                  |                   |   |
| Tuition . . . . .   | \$ 1,043,641            | \$ 993,700       | \$ 1,067,566      | \$ 73,866   |
| Classroom materials and fees . . . . .                                | 83,299                  | 79,313           | 85,209            | 5,896   |
| Customer services . . . . .   | 2,678                   | 2,549            | 2,739             | 190   |
| Other local revenues . . . . .  | 5,179                   | 4,931            | 5,298             | 367   |
| Intergovernmental - State . . . . .                                   | 307,978                 | 293,241          | 315,039           | 21,798  |
| Total revenue . . . . .   | <u>1,442,775</u>        | <u>1,373,734</u> | <u>1,475,851</u>  | <u>102,117</u>  |
| <b>Expenditures:</b>  |                         |                  |                   |   |
| Current:  |                         |                  |                   |   |
| Instruction:  |                         |                  |                   |   |
| Adult education . . . . .   | 1,309,532               | 1,309,532        | 1,220,960         | 88,572  |
| Administration . . . . .  | 369,450                 | 369,450          | 324,620           | 44,830  |
| Total expenditures . . . . .  | <u>1,678,982</u>        | <u>1,678,982</u> | <u>1,545,580</u>  | <u>133,402</u>  |
| Excess (deficiency) of revenues over<br>(under) expenditures. . . . . | <u>(236,207)</u>        | <u>(305,248)</u> | <u>(69,729)</u>   | <u>235,519</u>  |
| <b>Other financing sources (uses):</b>                                |                         |                  |                   |   |
| Refund of prior year receipts. . . . .                                | (1,223)                 | (1,223)          | (1,223)           | -   |
| Transfers in . . . . .  | 361,708                 | 344,399          | 370,000           | 25,601  |
| Transfers (out). . . . .  | (370,000)               | (370,000)        | (370,000)         | -   |
| Advances in. . . . .  | 195,517                 | 186,162          | 200,000           | 13,838  |
| Total other financing sources (uses) . . . . .                        | <u>186,002</u>          | <u>159,338</u>   | <u>198,777</u>    | <u>39,439</u>   |
| Net change in fund balance . . . . .                                  | (50,205)                | (145,910)        | 129,048           | 274,958   |
| <b>Fund balance at beginning of year . . . . .</b>                    | 128,680                 | 128,680          | 128,680           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b>                 | 17,285                  | 17,285           | 17,285            | -   |
| <b>Fund balance at end of year . . . . .</b>                          | <u>\$ 95,760</u>        | <u>\$ 55</u>     | <u>\$ 275,013</u> | <u>\$ 274,958</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

|  | <b>Private Purpose<br/>Trust</b> |               |
|--|----------------------------------|---------------|
|  | <b>Endowment</b>                 | <b>Agency</b> |
| <b>Assets:</b>   |                                  |               |
| Current assets:  |                                  |               |
| Equity in pooled cash<br>and cash equivalents. . . . . | \$ 126,234                       | \$ 61,947     |
| Receivables:   |                                  |               |
| Accounts . . . . .                                     | -                                | 31            |
| Total assets. . . . .                                  | 126,234                          | \$ 61,978     |
| <b>Liabilities:</b>                                    |                                  |               |
| Accounts payable . . . . .                             | -                                | \$ 2,552      |
| Due to students. . . . .                               | -                                | 39,426        |
| Loans payable . . . . .                                | -                                | 20,000        |
| Total liabilities. . . . .                             | -                                | \$ 61,978     |
| <b>Net position:</b>                                   |                                  |               |
| Held in trust for scholarships. . . . .                | 126,234                          |               |
| Total net position. . . . .                            | \$ 126,234                       |               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|  | <b>Private Purpose<br/>Trust</b> |
|--|----------------------------------|
|  | <b>Endowment</b>                 |
| <b>Additions:</b>                                  |                                  |
| Interest . . . . .                                 | \$ 687                           |
| Total additions . . . . .                          | 687                              |
| <b>Deductions:</b>                                 |                                  |
| Scholarships awarded . . . . .                     | 131,783                          |
| Change in net position . . . . .                   | (131,096)                        |
| <b>Net position at beginning of year . . . . .</b> | <b>257,330</b>                   |
| <b>Net position at end of year . . . . .</b>       | <b>\$ 126,234</b>                |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Cuyahoga Valley Career Center (the "District") is a joint vocational school district organized under Section 3311.18 of the Ohio Revised Code. The District provides vocational education for eight school districts serving an eligible student population of approximately 8,336 throughout northeastern Ohio, including Cuyahoga and Summit counties. A 9 member Board of Education governs the District, which is supported by a 2.0 mil operating levy assessed over a 5.8 billion dollar tax duplicate and by funds from the State of Ohio Joint Vocational School Foundation Program. The Board controls the District's educational facilities, which are staffed by 50 certified employees, 8 administrative employees and 39 full-time support staff employees. The District fosters cooperative relationships with business and industry, professional organizations, participating school districts and other interested, concerned groups and organizations to consider, plan and implement educational programs designed to meet the common needs and interests of students.

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

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

**A. Reporting Entity**

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

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

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among 198 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any district is limited to its representation on the Board. In fiscal year 2016, the District paid \$10,825 to the Council. Financial information can be obtained by contacting William Zelei, Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio, 44131.

The District participates in the Council's prepaid natural gas purchase program. This program allows school districts to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager for the period program. There are currently 151 participants in the program including Cuyahoga Valley Career Center. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The Council has partnered with the Ohio Association of Business Officials, the Ohio School Boards Association and the Buckeye Association of School Administrators to form the Power4Schools program to bring savings on electric generation costs and budget certainty to Ohio public schools by pooling purchasing power statewide. Power4Schools has selected FirstEnergy Solutions as its exclusive provider for school districts in the Ohio Edison, The Illuminating Company, Toledo Edison, Duke Energy, and AEP Ohio Power service areas.

Connect

The District is a member of the connect, formerly known as the North Coast Council, which was formed when the Lakeshore Northeast Ohio Computer Association and the Lake Erie Educational Computer Association merged during fiscal year 2012. Connect was organized for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among 34 member districts. Each of the governments of these schools supports the Connect based on a per pupil charge. The District contributed \$18,563 to Connect during fiscal year 2016. Connect is governed by a nine member Board of Directors consisting of superintendents from member school districts. Financial information can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, who serves as fiscal agent, at 5700 West Canal Road, Valley View, Ohio 44125.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*INSURANCE PURCHASING POOLS*

Suburban Health Consortium

The Suburban Health Consortium (Consortium) is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium. The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members and the Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation.

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one-hundred-eighty days prior to the effective date of withdrawal.

Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Financial information for the Consortium can be obtained from Todd Puster, Treasurer of Orange City School District (Fiscal Agent) at 32000 Chagrin Blvd., Pepper Pike, Ohio 44124-5974.

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by CompManagement, Inc. 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 District pays a fee to the GRP to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

*GOVERNMENTAL FUNDS*

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

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported 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.

*Adult Education fund* - The adult education fund is used to account for tuition, classroom materials and fees, customer services, and intergovernmental revenues to be used in connection with adult education classes.

Nonmajor governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

*Government-Wide Financial Statements* - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 13 for deferred outflows of resources related the District's net pension liability.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**E. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Budgetary statements are presented beyond that legal level of control for informational purposes only. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow and are intended to be repaid.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**Tax Budget:**

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

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

**Estimated Resources:**

Prior to April 1, unless a later date is approved by the Tax Commissioner, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended certificate of estimated resources issued for fiscal year 2016.

**Appropriations:**

Upon receipt from the County Fiscal Officer of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level without resolution from the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, supplemental appropriations were legally enacted by the Board.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

Cash received by the District is deposited in a central bank account with individual fund balance integrity maintained. Monies for all funds are maintained in this account or used to purchase investments. During fiscal year 2016, investments consisted of Federal Agency securities, commercial paper, negotiable certificates of deposit (CDs) and U.S. government money market fund. Investments are reported at fair value, which is based on quoted market prices, with the following exception: nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the private purpose trust and public support funds which are individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$128,911 which includes \$13,685 assigned from other District funds.

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

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

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 \$1,000 for its general capital assets. 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.

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

| Description                | Governmental<br>Activities<br><u>Estimated Lives</u> |
|----------------------------|--|
| Buildings and improvements | 25 - 50 years  |
| Furniture and equipment    | 5 - 20 years   |
| Vehicles                   | 6 - 10 years   |

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable" and "loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. Sick leave benefits are accrued as a liability using the vesting method. Under this method, a liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Anticipated retirement was based on 40 years of age and at least 6 years experience at the District. If 6 years experience was achieved, the District anticipated at least 10 years of service at retirement.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. 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 funds. However, claims and judgments, net pension liability and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital lease obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**L. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not either in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned amounts include all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

**M. Net Position**

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

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

**N. Prepayments**

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

**O. Estimates**

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

**P. 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 basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. On Behalf Payments for Other Entities**

The District receives monies that are spent on behalf of another school district or entity, which is reported on the financial statements as “On behalf payments for other entities”. These activities are reported as a governmental activity of the District.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal 2016, there were no extraordinary or special items.

**S. Pensions**

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

**T. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, “Fair Value Measurement and Application”, GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, and GASB Statement No. 79, “Certain External Investment Pools and Pool Participants”.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

| <u>Major special revenue fund</u> | <u>Deficit</u> |
|-----------------------------------|----------------|
| Adult education                   | \$ 107,016     |
| <br>                              |                |
| <u>Nonmajor fund</u>              |                |
| School to work                    | 5,000          |

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At fiscal year end, the District had \$1,500 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$5,507,960. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$5,106,033 of the District’s bank balance of \$5,730,520 was exposed to custodial risk as discussed below, while \$624,487 was covered by FDIC.

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

**C. Investments**

As of June 30, 2016, the District had the following investments and maturities:

| <u>Investment type</u>       | <u>Fair Value</u>    | <u>Investment Maturities</u> |                       |                        |                        |                               |
|------------------------------|----------------------|------------------------------|-----------------------|------------------------|------------------------|-------------------------------|
|                              |                      | <u>6 months or less</u>      | <u>7 to 12 months</u> | <u>13 to 18 months</u> | <u>19 to 24 months</u> | <u>Greater than 24 months</u> |
| FHLB                         | \$ 326,241           | \$ -                         | \$ -                  | \$ 326,241             | \$ -                   | \$ -                          |
| FHLMC                        | 2,116,923            | 330,066                      | -                     | 801,482                | -                      | 985,375                       |
| FNMA                         | 4,020,789            | -                            | -                     | -                      | 2,831,398              | 1,189,391                     |
| Commercial paper             | 1,922,384            | 1,922,384                    | -                     | -                      | -                      | -                             |
| Negotiable CDs               | 2,767,727            | -                            | 497,053               | 249,132                | 250,084                | 1,771,458                     |
| U.S. Government money market | 4,399                | 4,399                        | -                     | -                      | -                      | -                             |
| <b>Total</b>                 | <b>\$ 11,158,463</b> | <b>\$ 2,256,849</b>          | <b>\$ 497,053</b>     | <b>\$ 1,376,855</b>    | <b>\$ 3,081,482</b>    | <b>\$ 3,946,224</b>           |

The weighted average maturity of investments is 1.79 years.

The District’s investments in Federal Agency securities, commercial paper, negotiable CDs and U.S. government money market fund are valued using quoted market prices (Level 1 inputs).

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments in Federal Agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in commercial paper were rated A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively. The U.S. Government money market and negotiable CDs were not rated. The negotiable CDs were fully covered by the FDIC. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

| <u>Investment type</u>          | <u>Fair Value</u>    | <u>% to Total</u> |
|---------------------------------|----------------------|-------------------|
| FHLB                            | \$ 326,241           | 2.92              |
| FHLMC                           | 2,116,923            | 18.97             |
| FNMA                            | 4,020,789            | 36.04             |
| Commercial paper                | 1,922,384            | 17.23             |
| Negotiable CDs                  | 2,767,727            | 24.80             |
| U.S. Government<br>money market | <u>4,399</u>         | <u>0.04</u>       |
| Total                           | <u>\$ 11,158,463</u> | <u>100.00</u>     |

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

|                                      |                      |
|--------------------------------------|----------------------|
| <u>Cash and investments per note</u> |                      |
| Carrying amount of deposits          | \$ 5,507,960         |
| Investments                          | 11,158,463           |
| Cash on hand                         | <u>1,500</u>         |
| Total                                | <u>\$ 16,667,923</u> |

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

| <u>Cash and investments per statement of net position</u> |                      |
|---|----------------------|
| Governmental activities                                   | \$ 16,479,742        |
| Private-purpose trust fund                                | 126,234              |
| Agency funds  | <u>61,947</u>        |
| Total   | <u>\$ 16,667,923</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2016 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

| <u>Receivable fund</u> | <u>Payable fund</u>                      | <u>Amount</u>     |
|------------------------|--|-------------------|
| General                | Adult education                          | \$ 200,000        |
| General                | Nonmajor special revenue funds:          |                   |
|                        | Food service                             | 25,000            |
|                        | School to work                           | <u>5,000</u>      |
|                        | Total interfund loans receivable/payable | <u>\$ 230,000</u> |

The primary purpose of the interfund balance is to cover costs in specific funds where revenues were not received by June 30. The interfund balance will be repaid once the anticipated revenues are received and is expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2016 are reported on the statement of Net Position.

- B. Loans between governmental funds and agency funds are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year-end:

| <u>Loan from</u> | <u>Loan to</u>                | <u>Amount</u> |
|------------------|-------------------------------|---------------|
| General fund     | Agency - District agency fund | \$ 20,000     |

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- C. Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund statements:

| <u>Transfers from:</u> | <u>Transfers to:</u>  | <u>Amount</u> |
|------------------------|---|---------------|
| General fund           | Permanent improvement fund (nonmajor capital projects fund) | \$ 686,000    |

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Cuyahoga and Summit Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$2,722,629 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$2,307,948 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2016 taxes were collected are:

|   | 2015 Second Half Collections |                | 2016 First Half Collections |                |
|---|------------------------------|----------------|-----------------------------|----------------|
|   | <u>Amount</u>                | <u>Percent</u> | <u>Amount</u>               | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 5,613,675,590             | 96.71          | \$ 5,589,807,280            | 96.47          |
| Public utility personal                           | <u>190,782,370</u>           | <u>3.29</u>    | <u>204,266,410</u>          | <u>3.53</u>    |
| Total   | <u>\$ 5,804,457,960</u>      | <u>100.00</u>  | <u>\$ 5,794,073,690</u>     | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$ 2.00                      |                | \$ 2.00                     |                |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

|                          |                      |
|--------------------------|----------------------|
| Property taxes           | \$ 10,991,270        |
| Payment in lieu of taxes | 52,932               |
| Accounts                 | 8,379                |
| Accrued interest         | <u>28,856</u>        |
| Total                    | <u>\$ 11,081,437</u> |

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

|   | Balance<br><u>06/30/15</u> | <u>Additions</u>  | <u>Deductions</u>   | Balance<br><u>06/30/16</u> |
|---|----------------------------|-------------------|---------------------|----------------------------|
| <i>Capital assets, not being depreciated:</i> |                            |                   |                     |                            |
| Land  | \$ 563,010                 | \$ -              | \$ -                | \$ 563,010                 |
| Construction in progress                      | <u>286,583</u>             | <u>-</u>          | <u>(286,583)</u>    | <u>-</u>                   |
| Total capital assets, not being depreciated   | <u>849,593</u>             | <u>-</u>          | <u>(286,583)</u>    | <u>563,010</u>             |
| <i>Capital assets, being depreciated:</i>     |                            |                   |                     |                            |
| Buildings and improvements                    | 21,626,380                 | 987,733           | (37,845)            | 22,576,268                 |
| Furniture and equipment                       | 9,895,370                  | 285,158           | (341,988)           | 9,838,540                  |
| Vehicles                                      | <u>285,326</u>             | <u>-</u>          | <u>-</u>            | <u>285,326</u>             |
| Total capital assets, being depreciated       | <u>31,807,076</u>          | <u>1,272,891</u>  | <u>(379,833)</u>    | <u>32,700,134</u>          |
| <i>Less: accumulated depreciated</i>          |                            |                   |                     |                            |
| Buildings and improvements                    | (8,640,242)                | (552,644)         | 946                 | (9,191,940)                |
| Furniture and equipment                       | (7,105,373)                | (341,005)         | 234,037             | (7,212,341)                |
| Vehicles                                      | <u>(247,128)</u>           | <u>(7,794)</u>    | <u>-</u>            | <u>(254,922)</u>           |
| Total accumulated depreciation                | <u>(15,992,743)</u>        | <u>(901,443)</u>  | <u>234,983</u>      | <u>(16,659,203)</u>        |
| Governmental activities capital assets, net   | <u>\$ 16,663,926</u>       | <u>\$ 371,448</u> | <u>\$ (431,433)</u> | <u>\$ 16,603,941</u>       |

Depreciation expense was charged to governmental functions as follows:

|  |                   |
|--|-------------------|
| <u>Instruction:</u>                      |                   |
| Regular                                  | \$ 20,085         |
| Vocational                               | 729,188           |
| Adult education                          | 12,993            |
| <u>Support services:</u>                 |                   |
| Pupil                                    | 4,172             |
| Instructional staff                      | 81,610            |
| Administration                           | 14,456            |
| Fiscal                                   | 6,499             |
| Business                                 | 3,787             |
| Operations and maintenance               | 12,609            |
| Central                                  | 2,833             |
| Food service operations                  | 12,876            |
| On behalf payments for<br>other entities | <u>335</u>        |
| Total depreciation expense               | <u>\$ 901,443</u> |

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**NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE**

During fiscal year 2011, the District entered into a capital lease agreement for copier equipment. Capital lease payments for fiscal year 2016 have been reclassified and are reflected as principal retirement and interest in the amount of \$36,681 and \$478, respectively, in the general fund on the statement of revenues, expenditures, and changes in fund balances. These expenditures are reflected as program/function expenditures on a budgetary basis. The capital lease obligation was paid in full in fiscal year 2016.

Capital assets acquired by lease have been capitalized and depreciated as follows:

**Governmental activities**

Capital assets, being depreciated:

|   |                    |
|---|--------------------|
| Furniture and equipment                             | \$ 288,951         |
| Less: accumulated depreciation                      |                    |
| Furniture and equipment                             | <u>(288,951)</u>   |
| <i>Total capital assets, being depreciated, net</i> | <u><u>\$ -</u></u> |

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. The District's long-term obligations during the year consist of the following:

|                                 | <u>Balance</u>              |                            | <u>Additions</u>           |                             | <u>Reductions</u>        | <u>Balance</u>     | <u>Amounts</u>     |
|---------------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|--------------------|--------------------|
|                                 | <u>06/30/15</u>             |                            |                            |                             |                          | <u>06/30/16</u>    | <u>due in</u>      |
|                                 |                             |                            |                            |                             |                          |                    | <u>one year</u>    |
| <b>Governmental activities:</b> |                             |                            |                            |                             |                          |                    |                    |
| Capital lease obligation        | \$ 36,681                   | \$ -                       | \$ (36,681)                | \$ -                        | \$ -                     | \$ -               | \$ -               |
| Compensated absences payable    | 1,633,614                   | 78,731                     | (432,569)                  | 1,279,776                   | 236,694                  |                    |                    |
| Net pension liability:          |                             |                            |                            |                             |                          |                    |                    |
| STRS                            | 14,013,767                  | 1,301,249                  | -                          | 15,315,016                  | -                        | -                  | -                  |
| SERS                            | <u>4,587,694</u>            | <u>-</u>                   | <u>(211,289)</u>           | <u>4,376,405</u>            | <u>-</u>                 | <u>-</u>           | <u>-</u>           |
| Total net pension liability     | <u>18,601,461</u>           | <u>1,301,249</u>           | <u>(211,289)</u>           | <u>19,691,421</u>           | <u>-</u>                 | <u>-</u>           | <u>-</u>           |
| Total long-term obligations     | <u><u>\$ 20,271,756</u></u> | <u><u>\$ 1,379,980</u></u> | <u><u>\$ (680,539)</u></u> | <u><u>\$ 20,971,197</u></u> | <u><u>\$ 236,694</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

Capital lease obligation - See Note 9 for details.

Net pension liability - The District pays obligations related to employee compensation from the fund benefitting from their service. See Note 13 for details.

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid. The compensated absences payments primarily will be made from the general fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$521,466,632 and an unvoted debt margin of \$5,794,074.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified and OAPSE employees earn 5 to 25 days of vacation per year, depending upon length of service and or hours worked. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Administrators, support, and classified employees employed to work two hundred and sixty (260) days per year earn up to 20 days of vacation per year and are granted 1 additional day of vacation after the first 2 years of uninterrupted service with the District and 1 additional day of vacation for every 2 years following the second year, up to a maximum of five (5) additional days. OAPSE employees employed to work two hundred and sixty (260) days per year earn 5 days of vacation after completing 1 year of uninterrupted service and are then granted 5 additional days of vacation after the first 2 years of uninterrupted service with the District. After 5 years of uninterrupted service an additional 5 days of vacation are granted. After 10 years an additional 5 days of vacation is again granted, for a total of 4 weeks of vacation. After 10 years 1 additional day per years is given to a maximum of 5 additional days. Teachers and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 380 days for both certified and classified employees.

Upon retirement, all employees are entitled to the following severance payments:

Certified employees receive a payment for twenty-five percent of their accrued, but unused sick leave to a maximum of seventy-five (75) days. Certified employees are also entitled to one-quarter day of additional severance pay for each unused sick day in the final two years prior to severance. This additional severance shall not exceed seven and a half (7.5) days.

Administrative, support staff and exempt employees receive a payment for up to twenty-five percent (25) of their accrued but unused sick leave to a maximum of seventy-five (75) days. A graduated severance chart starting at 3 years of service through 10 years of service with the District is used. Administrative, support staff and exempt employees are also entitled to one-half day of additional severance pay for each unused sick day in the final two years prior to severance. This additional severance shall not exceed seven and a half (7.5) days.

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**NOTE 11 - EMPLOYEE BENEFITS - (Continued)**

All OAPSE employees are entitled to payment for twenty-five percent of their accrued, but unused sick leave to a maximum of seventy-five (75) days. A graduated severance chart starting at 3 years of service through 10 years of service with the District is used. OAPSE employees are also entitled to one-half day of additional severance pay for each unused sick day in the final two years prior to severance. This additional severance shall not exceed thirty (30) days.

**B. Retirement Stipends**

The District provides a retirement stipend for administrative employees under the provisions of O.R.C. 3307.35 for qualifying persons who meet the eligibility requirements of the retirement stipend and elect to retire under STRS Ohio. A retirement stipend up to \$30,000 is offered to those employees who retire under STRS Ohio on or after July 1, 2015, but on or before June 30, of the contract year in which they are first eligible to retire. Employees must have notified the District no later than October 30 of the contract year during which the employee first becomes or will become eligible to retire, of his/her intention to retire on or before June 30. The District had no STRS Ohio employees who took advantage of the retirement stipend during fiscal year 2016.

The District provides a retirement stipend for support and classified exempt employees under the provisions of O.R.C. 3307.35 for qualifying persons who meet the eligibility requirements of the stipend and elect to retire under STRS/SERS. The retirement stipend is equal to 25% of the employee's annual base salary and is offered to employees who retire on or after July 1, 2015, but on or before June 30, of the contract year in which they are first eligible to retire. Employees must have notified the District no later than the last business day of October of the contract year of retirement, stating his/her intentions to retire. The District had no support and classified exempt employee who took advantage of the retirement stipend during fiscal year 2016.

**C. Retirement Pick-up**

For all administrators, supervisory support and classified exempt central office employees, the Board has established procedures for the automatic pick-up of the employee's portion of the retirement system contribution and Medicare tax from the employee's salary.

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**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for liability, property, fleet and excess liability through Wells Fargo Insurance Services USA Inc.

| <u>Coverage</u>                                  | <u>Limits of Coverage</u>                           |
|--|---|
| Liability:                                       |   |
| General liability - per occurrence/aggregate     | \$1,000,000/\$2,000,000                             |
| Sexual abuse/molestation - per occurrence        | \$1,000,000   |
| Errors and omission - per occurrence             | \$1,000,000   |
| Property:  |   |
| Blanket building and contents - value/deductible | \$56,461,628/\$1,000                                |
| Inland marine                                    | \$500 deductible                                    |
| EDP  | \$500 deductible                                    |
| Equipment breakdown                              | \$1,000 deductible                                  |
| Fleet:   |   |
| Combined single limit                            | \$1,000,000   |
| Garage keepers - each accident/aggregate         | \$100,000/\$100,000                                 |
| Uninsured motorist                               | \$1,000,000   |
| Comprehensive/collision                          | \$500/\$500 deductible                              |
| Medical payments                                 | \$5,000   |
| Excess liability - per occurrence/aggregate      | \$5,000,000 in addition to<br>Each line of coverage |

Settled claims have not exceeded this commercial coverage in any of the past three years.

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted employees in the following amounts:

|   |  |
|---|--|
| Certified employees   | \$50,000   |
| Administrative, support, and<br>classified exempt employees | 2.5 times their annual salary  |
| Classified employees  | \$50,000 or 2.5 times their annual salary for certain employees<br>designated by the agreement |

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**NOTE 12 - RISK MANAGEMENT - (Continued)**

**C. Employee Health Benefits**

The School District (Consortium Member) participates in the Suburban Health Consortium (Consortium), a shared risk pool (Note 2.A.), to provide group health, life, dental and/or other insurance coverages. Consortium Member premium rates are set or determined by the Board of Directors. To the extent and in the manner permitted by any applicable agreements, policies, rules, regulations and laws, each Consortium Member may require contributions from its employees toward the cost of any benefit program being offered by the Consortium Member and such contributions shall be included in the payments from such Consortium Member to the Fiscal Agent of the Consortium for such benefit program. Consortium Members pay a monthly premium to the Consortium. Because the School District is a member of the Consortium and the Consortium holds the reserves for Incurred But Not Reported (IBNR) claims, not the individual districts, IBNR information is not available on a district-by-district basis.

**D. Workers' Compensation**

The District participates in a Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). 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 CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$331,895 for fiscal year 2016. Of this amount, \$37,642 is reported as pension and postemployment benefits payable.

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

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

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

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

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

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$805,218 for fiscal year 2016. Of this amount, \$114,279 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

|  | <u>SERS</u>  | <u>STRS</u>   | <u>Total</u>  |
|--|--------------|---------------|---------------|
| Proportionate share of the net pension liability | \$ 4,376,405 | \$ 15,315,016 | \$ 19,691,421 |
| Proportion of the net pension liability          | 0.07669700%  | 0.05541475%   |               |
| Pension expense                                  | \$ 78,517    | \$ 631,420    | \$ 709,937    |

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u>        |
|--|-------------------|---------------------|---------------------|
| <b>Deferred outflows of resources</b>  |                   |                     |                     |
| Differences between expected and actual experience                               | \$ 75,058         | \$ 702,035          | \$ 777,093          |
| District contributions subsequent to the measurement date                        | <u>331,895</u>    | <u>805,218</u>      | <u>1,137,113</u>    |
| Total deferred outflows of resources   | <u>\$ 406,953</u> | <u>\$ 1,507,253</u> | <u>\$ 1,914,206</u> |
| <b>Deferred inflows of resources</b>   |                   |                     |                     |
| Net difference between projected and actual earnings on pension plan investments | \$ 230,957        | \$ 1,175,669        | \$ 1,406,626        |
| Changes in proportionate share   | <u>535,134</u>    | <u>496,022</u>      | <u>1,031,156</u>    |
| Total deferred inflows of resources  | <u>\$ 766,091</u> | <u>\$ 1,671,691</u> | <u>\$ 2,437,782</u> |

\$1,137,113 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                             | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u>          |
|-----------------------------|---------------------|---------------------|-----------------------|
| Fiscal Year Ending June 30: |                     |                     |                       |
| 2017                        | \$ (250,859)        | \$ (396,021)        | \$ (646,880)          |
| 2018                        | (250,859)           | (396,021)           | (646,880)             |
| 2019                        | (250,859)           | (396,021)           | (646,880)             |
| 2020                        | <u>61,546</u>       | <u>218,405</u>      | <u>279,951</u>        |
| Total                       | <u>\$ (691,031)</u> | <u>\$ (969,658)</u> | <u>\$ (1,660,689)</u> |

***Actuarial Assumptions - SERS***

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

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

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

|  |  |
|--|--|
| Wage Inflation                               | 3.25 percent   |
| Future Salary Increases, including inflation | 4.00 percent to 22.00 percent                                |
| COLA or Ad Hoc COLA                          | 3 percent  |
| Investment Rate of Return                    | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal   |

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

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

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

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

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

|  | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$ 6,068,501           | \$ 4,376,405                        | \$ 2,951,521           |

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

|  | <u>1% Decrease<br/>(6.75%)</u> | <u>Current<br/>Discount Rate<br/>(7.75%)</u> | <u>1% Increase<br/>(8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| District's proportionate share<br>of the net pension liability | \$ 21,273,713                  | \$ 15,315,016                                | \$ 10,276,049                  |

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$12,386.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$12,386, \$25,975, and \$13,609, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$66,510, respectively. The full amount has been contributed for fiscal year 2014.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and adult education fund 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 the GAAP basis are that:

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

|   | <u>General Fund</u> | <u>Adult<br/>Education Fund</u> |
|---|---------------------|---------------------------------|
| Budget basis                            | \$ 913,604          | \$ 129,048                      |
| Net adjustment for revenue accruals     | 500,831             | 684                             |
| Net adjustment for expenditure accruals | (7,700)             | (58,929)                        |
| Net adjustment for other sources/uses   | (106,040)           | (198,777)                       |
| Funds budgeted elsewhere **             | (394,314)           | -                               |
| Adjustment for encumbrances             | <u>638,989</u>      | <u>7,666</u>                    |
| GAAP basis                              | <u>\$ 1,545,370</u> | <u>\$ (120,308)</u>             |

\*\*Some funds are included in the general fund (GAAP-basis), but have separate legally adopted budgets (budget basis). The funds include: uniform school supplies, rotary fund-special services, public school support, other grant, and storage tank special revenue funds and the unclaimed monies agency fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not involved in material litigation as either plaintiff or defendant.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 17 - SET-ASIDES**

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

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

|   | <u>Capital<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2015             | \$ -                            |
| Current year set-aside requirement          | 77,406                          |
| Current year qualifying expenditures        | <u>(1,260,366)</u>              |
| Total                                       | <u>\$ (1,182,960)</u>           |
| Balance carried forward to fiscal year 2017 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2016             | <u>\$ -</u>                     |

**NOTE 18 - COMMITMENTS**

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

| <u>Fund</u>        | <u>Year-End<br/>Encumbrances</u> |
|--------------------|----------------------------------|
| General            | \$ 541,262                       |
| Adult education    | 5,807                            |
| Other governmental | <u>167,038</u>                   |
| Total              | <u>\$ 714,107</u>                |

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

|   | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  |
|---|--------------|--------------|--------------|
| District's proportion of the net pension liability  | 0.07669700%  | 0.09064900%  | 0.09064900%  |
| District's proportionate share of the net pension liability   | \$ 4,376,405 | \$ 4,587,694 | \$ 5,390,605 |
| District's covered-employee payroll   | \$ 2,308,976 | \$ 2,634,076 | \$ 4,343,360 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 189.54%      | 174.17%      | 124.11%      |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 69.16%       | 71.70%       | 65.52%       |

Note: Information prior to fiscal year 2013 was unavailable.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

|   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|---|---------------|---------------|---------------|
| District's proportion of the net pension liability  | 0.05541475%   | 0.05761420%   | 0.05761420%   |
| District's proportionate share of the net pension liability   | \$ 15,315,016 | \$ 14,013,767 | \$ 16,693,108 |
| District's covered-employee payroll   | \$ 5,844,300  | \$ 5,886,577  | \$ 7,019,454  |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 262.05%       | 238.06%       | 237.81%       |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 72.10%        | 74.70%        | 69.30%        |

Note: Information prior to fiscal year 2013 was unavailable.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 331,895       | \$ 304,323       | \$ 365,083       | \$ 601,121       |
| Contributions in relation to the contractually required contribution | <u>(331,895)</u> | <u>(304,323)</u> | <u>(365,083)</u> | <u>(601,121)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered-employee payroll                                  | \$ 2,370,679     | \$ 2,308,976     | \$ 2,634,076     | \$ 4,343,360     |
| Contributions as a percentage of covered-employee payroll            | 14.00%           | 13.18%           | 13.86%           | 13.84%           |

| <u>2012</u>      | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 639,004       | \$ 582,929       | \$ 593,765       | \$ 419,856       | \$ 295,151       | \$ 301,407       |
| <u>(639,004)</u> | <u>(582,929)</u> | <u>(593,765)</u> | <u>(419,856)</u> | <u>(295,151)</u> | <u>(301,407)</u> |
| <u>\$ -</u>      |
| \$ 4,750,959     | \$ 4,637,462     | \$ 4,385,266     | \$ 4,266,829     | \$ 3,005,611     | \$ 2,822,163     |
| 13.45%           | 12.57%           | 13.54%           | 9.84%            | 9.82%            | 10.68%           |

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 805,218       | \$ 818,202       | \$ 765,255       | \$ 912,529       |
| Contributions in relation to the contractually required contribution | <u>(805,218)</u> | <u>(818,202)</u> | <u>(765,255)</u> | <u>(912,529)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered-employee payroll                                  | \$ 5,751,557     | \$ 5,844,300     | \$ 5,886,577     | \$ 7,019,454     |
| Contributions as a percentage of covered-employee payroll            | 14.00%           | 14.00%           | 13.00%           | 13.00%           |

| <u>2012</u>        | <u>2011</u>        | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      |
|--------------------|--------------------|------------------|------------------|------------------|------------------|
| \$ 1,007,749       | \$ 1,007,273       | \$ 968,699       | \$ 941,319       | \$ 806,151       | \$ 777,324       |
| <u>(1,007,749)</u> | <u>(1,007,273)</u> | <u>(968,699)</u> | <u>(941,319)</u> | <u>(806,151)</u> | <u>(777,324)</u> |
| <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 7,751,915       | \$ 7,748,254       | \$ 7,451,531     | \$ 7,240,915     | \$ 6,201,162     | \$ 5,979,415     |
| 13.00%             | 13.00%             | 13.00%           | 13.00%           | 13.00%           | 13.00%           |

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

## **SUPPLEMENTARY INFORMATION**

CUYAHOGA VALLEY CAREER CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| FEDERAL GRANTOR/<br>SUB GRANTOR/<br>PROGRAM TITLE  | CFDA<br>NUMBER | (A)<br>PASS-THROUGH<br>GRANT<br>NUMBER | (B)<br>CASH<br>FEDERAL<br>DISBURSEMENTS |
|--|----------------|--|---|
| <b>U.S. DEPARTMENT OF AGRICULTURE<br/>PASSED THROUGH THE<br/>OHIO DEPARTMENT OF EDUCATION:</b> |                |  |   |
| (C)(D) National School Lunch Program - Food Donation   | 10.555         | 2016                                   | 3,889                                   |
| (C) National School Lunch Program  | 10.555         | 2016                                   | <u>51,424</u>                           |
| <b>Total National School Lunch Program</b>   |                |  | <u><u>55,313</u></u>                    |
| <b>Total U.S. Department of Agriculture</b>  |                |  | <u><u>55,313</u></u>                    |
| <b>U.S. DEPARTMENT OF EDUCATION<br/>PASSED THROUGH THE<br/>OHIO DEPARTMENT OF EDUCATION:</b>   |                |  |   |
| <b>Student Financial Assistance Cluster:</b>   |                |  |   |
| (E)(F) Federal Pell Grant Program  | 84.063         | N/A                                    | <u>253,145</u>                          |
| (E)(F) Federal Direct Student Loans  | 84.268         | N/A                                    | <u>546,449</u>                          |
| <b>Total Student Financial Assistance Cluster</b>  |                |  | <u><u>799,594</u></u>                   |
| Career and Technical Education - Basic Grants to States  | 84.048         | 2016                                   | <u>391,639</u>                          |
| Improving Teacher Quality State Grants   | 84.367         | 2016                                   | <u>1,085</u>                            |
| <b>Total U.S. Department of Education</b>  |                |  | <u><u>1,192,318</u></u>                 |
| <b>Total Federal Financial Assistance</b>  |                |  | <u><u>\$ 1,247,631</u></u>              |

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (E) Included as part of "Student Financial Assistance Cluster" when determining major programs.
- (F) Program directly funded by the U.S. Department of Education
- (G) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has elected not to use the 10% de minimis indirect cost rate.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

#

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

Cuyahoga Valley Career Center  
Cuyahoga County  
8001 Brecksville Road  
Brecksville, Ohio 44141

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cuyahoga Valley Career Center, Cuyahoga County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Cuyahoga Valley Career Center's basic financial statements and have issued our report thereon dated November 4, 2016.

***Internal Control Over Financial Reporting***

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

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

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

Board of Education  
Cuyahoga Valley Career Center

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Julian & Grube, Inc.  
November 4, 2016



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Cuyahoga Valley Career Center  
Cuyahoga County  
8001 Brecksville Road  
Brecksville, Ohio 44141

To the Board of Education:

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

We have audited the Cuyahoga Valley Career Center's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Cuyahoga Valley Career Center's major federal programs for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Cuyahoga Valley Career Center's major federal programs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to opine on the Cuyahoga Valley Career Center's compliance for each of the Cuyahoga Valley Career Center's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cuyahoga Valley Career Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Education  
Cuyahoga Valley Career Center

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

In our opinion, the Cuyahoga Valley Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2016.

***Report on Internal Control Over Compliance***

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
November 4, 2016

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
UNIFORM GUIDANCE 2 CFR § 200.515  
JUNE 30, 2016**

| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |   |  |
|--|---|--|
| <i>(d)(1)(i)</i>                       | <i>Type of Financial Statement Opinion</i>  | Unmodified   |
| <i>(d)(1)(ii)</i>                      | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>                        | No   |
| <i>(d)(1)(ii)</i>                      | <i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | No   |
| <i>(d)(1)(iii)</i>                     | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>                              | No   |
| <i>(d)(1)(iv)</i>                      | <i>Were there any material internal control weaknesses reported for major federal programs?</i>                             | No   |
| <i>(d)(1)(iv)</i>                      | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i>                     | No   |
| <i>(d)(1)(v)</i>                       | <i>Type of Major Program's Compliance Opinion</i>   | Unmodified   |
| <i>(d)(1)(vi)</i>                      | <i>Are there any reportable findings under 2 CFR §200.516(a)?</i>   | No   |
| <i>(d)(1)(vii)</i>                     | <i>Major Programs (listed):</i>   | Student Financial Assistance Cluster;<br>Career and Technical Education - Basic<br>Grants to States - CFDA #84.048 |
| <i>(d)(1)(viii)</i>                    | <i>Dollar Threshold: Type A/B Programs</i>  | Type A: > \$750,000<br>Type B: all others  |
| <i>(d)(1)(ix)</i>                      | <i>Low Risk Auditee under 2 CFR § 200.520?</i>  | No   |

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

None

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

None

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR § 200.511(b)  
JUNE 30, 2016**

| <b>Finding Number</b> | <b>Year Initially Occurred</b> | <b>Finding Summary</b>   | <b>Fully Corrected?</b> | <b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</b> |
|-----------------------|--------------------------------|--|-------------------------|---|
| 2015-001              | 2015                           | <u>Material Weakness/Noncompliance</u> - 7 CFR Section 3016.35 states that grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs. The District made payments to two vendors in which they did not maintain evidence of verifying that the vendors were not suspended or debarred. | Yes                     | N/A   |



# Dave Yost • Auditor of State

CUYAHOGA VALLEY CAREER CENTER

CUYAHOGA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 29, 2016