

***LORAIN COUNTY JOINT VOCATIONAL
SCHOOL DISTRICT***

LORAIN COUNTY

Audit Report

For the Year Ended June 30, 2015





Dave Yost • Auditor of State

Board of Education
Lorain County Joint Vocational School District
15181 Route 58 South
Oberlin, Ohio 44074

We have reviewed the *Independent Auditors' Report* of the Lorain County Joint Vocational School District, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Lorain County Joint Vocational School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 2, 2016

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LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY
AUDIT REPORT
For the Year Ending June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Lorain County Joint Vocational School District
Lorain County
15181 Route 58 South
Oberlin, Ohio 44074

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 Lorain County Joint Vocational School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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 opinion.

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 Lorain County Joint Vocational School District, Lorain County, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding these matters.

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 Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is 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 schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 January 26, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
January 26, 2016

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(unaudited)

As management of the Lorain County Joint Vocational School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here, in conjunction with additional information we have provided in the notes to the basic financial statements and the basic financial statements to enhance their understanding of the School District's financial performance. This discussion and analysis of the School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The School District's basic financial statements are comprised of the three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position increased \$ 1,866,818 compared to the prior year.
- General revenues accounted for \$ 19,747,559 or 86.0 percent of total revenues. Program specific revenues in the form of charges for services, operating grants and contributions and capital grants and contributions accounted for \$ 3,205,202 or 14.0 percent of total revenues of \$ 22,952,761.
- The School District had \$ 21,085,943 in expenses related to governmental activities; only \$ 3,205,202 of these expenses were offset by program specific charges for services, operating grants and contributions, or capital grants and contributions. General revenues (primarily grants, entitlements and property taxes) of \$ 19,747,559 were used to provide for these programs.

Using the Basic Financial Statements

This report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity.

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(unaudited)

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2015?"

The *Statement of Net Position* and *Statements of Activities*, which appear first in the School District's basic financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Statement of Net Position and the Statements of Activities, the School District is combined into one activity:

- **Governmental Activities** - All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(unaudited)

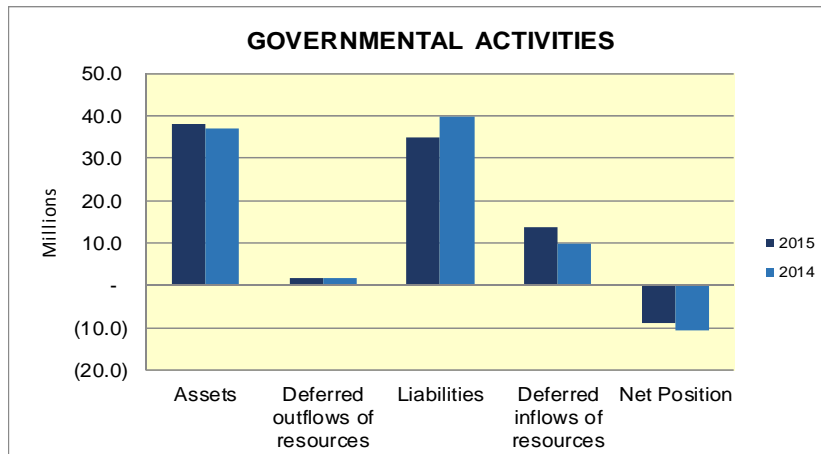
The School District as a Whole

Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

**Table 1
Net Position**

	2015	Restated 2014	Change
Assets			
Current and other assets	\$ 23,791,788	\$ 22,642,988	\$ 1,148,800
Capital assets, net	14,456,094	14,484,565	(28,471)
Total assets	38,247,882	37,127,553	1,120,329
Deferred outflows of resources	1,892,557	1,714,754	177,803
Liabilities			
Current liabilities	2,342,813	2,119,056	223,757
Long term liabilities			
Due within one year	760,265	460,707	299,558
Other amounts due in more than one year	5,848,172	6,153,071	(304,899)
Net pension liability	26,049,030	30,965,206	(4,916,176)
Total liabilities	35,000,280	39,698,040	(4,697,760)
Deferred inflows of resources	13,795,634	9,666,560	4,129,074
Net position			
Net investment in capital assets	11,389,864	10,994,145	395,719
Restricted	2,607,156	3,565,116	(957,960)
Unrestricted	(22,652,495)	(25,081,554)	2,429,059
Total net position	\$ (8,655,475)	\$ (10,522,293)	\$ 1,866,818

Total assets increased by \$ 1,120,329. This was primarily due to increases in equity in pooled cash and equivalents. Total liabilities decreased \$ 4,697,760 mainly because of decreases in net pension liability, accrued salaries, wages and benefits and long term liabilities.



LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(unaudited)

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

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

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

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

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

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

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(unaudited)

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$ 18,728,159 to (\$ 10,522,293).

Table 2 shows the changes in net position for fiscal year 2015 as compared to fiscal year 2014.

Table 2
Changes in Net Position

	2015	2014	Change
Revenues			
Program revenues			
Charges for services and sales	\$ 1,452,361	\$ 2,086,919	\$ (634,558)
Operating grants, interest and contributions	1,752,841	1,583,368	169,473
Capital grants, interest and contributions	-	18,800	(18,800)
Total program revenues	<u>3,205,202</u>	<u>3,689,087</u>	<u>(483,885)</u>
General revenues			
Property taxes	10,626,260	10,841,234	(214,974)
Grants and entitlements not restricted to specific purposes	8,206,099	8,400,951	(194,852)
Investment earnings	41,680	32,713	8,967
Miscellaneous	873,520	368,678	504,842
Total general revenues	<u>19,747,559</u>	<u>19,643,576</u>	<u>103,983</u>
Total revenues	<u>22,952,761</u>	<u>23,332,663</u>	<u>(379,902)</u>
Program expenses			
Instruction	11,120,704	12,893,087	(1,772,383)
Supporting services	9,140,358	7,831,746	1,308,612
Operation of non-instructional	414,265	494,914	(80,649)
Extracurricular activities	341,726	208,353	133,373
Interest	68,890	73,390	(4,500)
Total expenses	<u>21,085,943</u>	<u>21,501,490</u>	<u>(415,547)</u>
Change in net position	1,866,818	1,831,173	35,645
Net position at beginning of year, restated	(10,522,293)	N/A	
Net position at end of year	<u>\$ (8,655,475)</u>	<u>\$ (10,522,293)</u>	<u>\$ 1,866,818</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

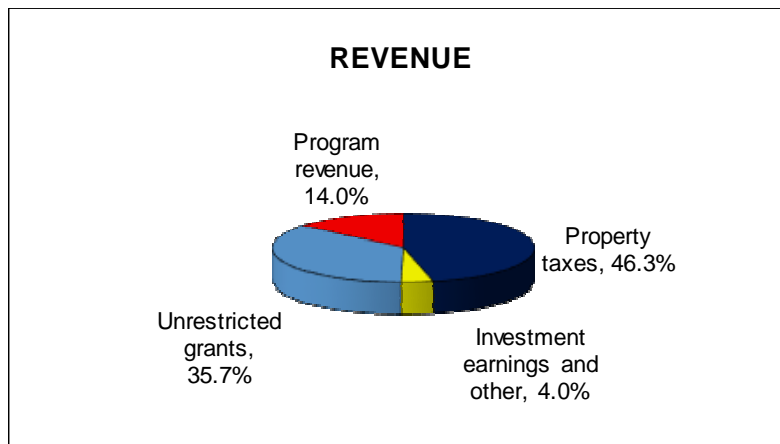
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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$ 1,714,754 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$ 362,511. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 21,085,943
Pension expense under GASB 68	(362,511)
2015 contractually required contributions	1,673,249
Adjusted 2015 program expenses	<u>22,396,681</u>
Total 2014 program expenses under GASB 27	<u>(21,501,490)</u>
Increase in program expenses not related to pension	<u>\$ 895,191</u>

Governmental Activities

Several revenue sources fund our governmental activities with property taxes being the largest contributor; \$ 10,626,260 or 46.3 percent. Grants and entitlements not restricted to a specific program of \$ 8,206,099 made up 35.7 percent of revenues for governmental activities of the School District for fiscal year 2015. The remaining amounts of revenue were in the form of program revenues, which equated to \$ 3,205,202 or 14.0 percent of total revenue and investment earning and miscellaneous revenues of \$ 915,200 or 4.0 percent. Total revenue in 2015 decreased compared to 2014 by \$ 379,902 which was mainly the result of a reduction in grants and entitlements not restricted to specific purposes.

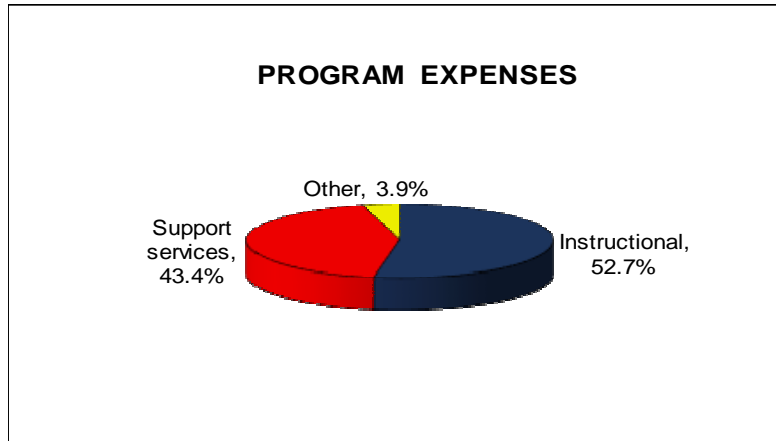


Instructional expenses comprise \$ 11,120,704 or 52.7 percent of governmental program expenses. Support services expenses make up \$ 9,140,358 or 43.4 percent of governmental expenses. Other expenses totaled \$ 824,881 or 3.9 percent of governmental expenses. Overall, program expenses decreased by \$ 415,547 compared to 2014. This was the result of the School District restructuring the organization.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(unaudited)



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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Program expenses				
Instruction				
Regular	\$ 1,975,042	\$ 2,134,754	\$ (1,975,042)	\$ (2,134,754)
Special	119,399	-	(119,399)	-
Vocational	7,665,546	9,157,264	(7,362,237)	(8,369,775)
Adult education	1,289,808	1,601,069	421,232	241,652
Other	70,909	-	(70,909)	-
Supporting services				
Pupil	1,778,505	1,609,091	(1,278,505)	(1,189,428)
Instructional staff	1,717,493	1,526,505	(1,412,581)	(1,320,337)
Board of education	63,683	28,594	(63,683)	(28,594)
Administration	1,482,163	1,504,856	(1,482,163)	(1,504,856)
Fiscal services	828,868	720,649	(828,868)	(720,649)
Business	207,205	198,974	(207,205)	(198,974)
Operation and maintenance	2,682,713	1,914,341	(2,647,713)	(1,842,316)
Pupil transportation	57,530	90,931	(57,530)	(90,931)
Central services	322,198	237,805	(322,198)	(237,805)
Operation of non-instructional	414,265	494,914	(63,324)	(133,893)
Extracurricular activities	341,726	208,353	(341,726)	(208,353)
Interest	68,890	73,390	(68,890)	(73,390)
Total expenses	<u>\$ 21,085,943</u>	<u>\$ 21,501,490</u>	<u>\$(17,880,741)</u>	<u>\$(17,812,403)</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(unaudited)

The School District's Funds

Information about the School District's major fund, the General Fund, starts on page 17. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$ 23,486,093 with the General Fund accounting for \$ 21,572,191 of the total. The governmental expenditures and other financing uses was \$ 23,018,515 with the General Fund accounting for \$ 20,304,509 of the expenditures. The net change in fund balance for all governmental funds for the year was an increase of \$ 467,578. The General Fund had an increase in fund balance of \$ 1,267,682 and other governmental funds had a combined total decrease in fund balance of \$ 800,104.

The General Fund's fund balance increase is a continued result of the School District's restructuring of programs and staff in 2014 which enabled the School District to reduce expenditures resulting in the fund balance increase again in 2015. The decrease in revenue was from decreases in intergovernmental revenue compared to a year ago. Expenditures in all aspects of the School District naturally increase with inflation so the School District will continue to monitor expenditures.

General Fund – Budget Highlights

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

During the course of fiscal year 2015, the School District amended its General Fund budget throughout the fiscal year. Requests for budget changes are made by the building administrators. Final approval is obtained from the treasurer and superintendent and is presented to the Board of Education for their adoption.

For the General Fund, the final budget basis revenue was \$ 19,908,378. The actual revenue for fiscal year 2015 was \$ 387,704 higher than the final budget basis revenue due to increased intergovernmental receipts.

The final appropriations were \$ 20,315,454. Expenditures, however, were only \$ 18,705,751 or \$ 1,609,703 less than anticipated due to surplus appropriations and frugal spending, in vocational and adult education instruction, instructional staff, administrative, fiscal services, plant operation and maintenance and central services, and extracurricular costs.

The School District's ending unobligated budgetary fund balance of \$ 7,903,982 was \$ 1,997,407 above the final budgeted fund balance of \$ 5,906,575.

Capital Assets

At the end of fiscal year 2015, at historical cost, the School District had \$ 32,255,008 invested in land, construction in process, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure as compared to \$ 32,314,643 in 2014; all of which was related to governmental activities.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(unaudited)

Table 4 shows fiscal year 2015 net balances compared to 2014:

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

	2015	2014
Land	\$ 138,000	\$ 138,000
Construction in process	58,635	-
Land improvements	79,225	59,406
Building and improvements	11,231,610	11,096,345
Furniture and equipment	1,644,220	1,777,981
Vehicles	80,186	104,522
Infrastructure	1,224,218	1,308,311
Total capital assets	<u>\$ 14,456,094</u>	<u>\$ 14,484,565</u>

Net capital assets decreased \$ 28,471 from the prior year. During 2015, the School District changed its capitalization policy from \$ 3,500 to \$ 5,000. The net effect of this change was a decrease in the financial statement capital assets of \$ 414,203. The net of this policy change was offset by the increase in capital assets from a major roofing project being completed in 2015 that was part of the energy conservation renovations.

For more information on capital assets, refer to the notes to the basic financial statements.

Debt

At June 30, 2015, the School District had \$ 3,066,230 in energy conservation notes. These notes were issued for the purpose of purchasing and installing energy conservation measures throughout the School District.

For more information on long-term debt, refer to the notes to the basic financial statements.

Current Issues

The School District believes in sound fiscal policy and through this policy the School District is in a good financial position and meeting the needs of providing a great education to our students. The School District did receive a national accreditation from Advance Education this fiscal year. This national accreditation indicates the School District has met the national standards and requirements of providing high quality education to our students. The School District also has an ongoing process of reviewing the educational processes given to the student and continues to audit the curriculum of the career technical programs offered. This process helps keep the education being delivered relative to today's needs. Innovation is being sought in all aspects of operating and educating, recently the School District started delivering curriculum through one on one devices using I-Pad mini's. It is the goal of Lorain County JVS to be one of Ohio's best vocational schools in meeting the needs of the community.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Cory Thompson, Treasurer, at 15181 Route 58 South, Oberlin, Ohio 44074, or call at (440) 774-1051.

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LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
Assets	
Equity in pooled cash and investments	\$ 11,900,491
Accounts receivable	3,412
Accrued interest	7,305
Due from other governments	69,595
Inventory	50,660
Taxes receivable	11,760,325
Capital assets:	
Nondepreciable capital assets	196,635
Depreciable capital assets, net	14,259,459
Total assets	38,247,882
Deferred outflow s of resources	
Pension	1,892,557
Total deferred outflow s of resources	1,892,557
Liabilities	
Accounts and contracts payable	365,820
Accrued salaries, wages and benefits	1,636,855
Accrued interest payable	56,780
Due to other governments	283,358
Long term liabilities:	
Due w ithin one year	760,265
Due in more than one year	
Other amounts due in more than one year	5,848,172
Net pension liability	26,049,030
Total liabilities	35,000,280
Deferred inflow s of resources	
Property taxes	10,009,530
Unavailable - other	2,862
Pension	3,783,242
Total deferred inflow s of resources	13,795,634
Net position	
Net investment in capital assets	11,389,864
Restricted for:	
Capital projects	1,921,264
Other purposes	685,892
Unrestricted	(22,652,495)
Total net position	\$ (8,655,475)

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants Interest and Contributions	Revenue and Changes in Net Position
Governmental activities				
Instruction				
Regular	\$ 1,975,042	\$ -	\$ -	\$ (1,975,042)
Special	119,399	-	-	(119,399)
Vocational	7,665,546	158,538	144,771	(7,362,237)
Adult education	1,289,808	1,115,505	595,535	421,232
Other	70,909	-	-	(70,909)
Supporting services				
Pupil	1,778,505	-	500,000	(1,278,505)
Instructional staff	1,717,493	-	304,912	(1,412,581)
Board of education	63,683	-	-	(63,683)
Administration	1,482,163	-	-	(1,482,163)
Fiscal services	828,868	-	-	(828,868)
Business	207,205	-	-	(207,205)
Operation and maintenance	2,682,713	-	35,000	(2,647,713)
Pupil transportation	57,530	-	-	(57,530)
Central services	322,198	-	-	(322,198)
Operation of non-instructional	414,265	178,318	172,623	(63,324)
Extracurricular activities	341,726	-	-	(341,726)
Interest	68,890	-	-	(68,890)
Totals	<u>\$ 21,085,943</u>	<u>\$ 1,452,361</u>	<u>\$ 1,752,841</u>	<u>(17,880,741)</u>

General revenues:

Property taxes levied for:

General purpose	10,626,260
Grants and entitlements not restricted to specific purposes	8,206,099
Investment earnings	41,680
Miscellaneous	873,520
Total general revenues	<u>19,747,559</u>

Change in net position	1,866,818
Net position at beginning of year, restated	(10,522,293)
Net position at end of year	<u>\$ (8,655,475)</u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflow s of resources			
Assets			
Equity in pooled cash and investments	\$ 9,166,718	\$ 2,733,773	\$ 11,900,491
Receivables, net of allowance			
Taxes, current	11,329,121	-	11,329,121
Taxes, delinquent	431,204	-	431,204
Accounts and other	-	3,412	3,412
Accrued interest	7,305	-	7,305
Due from other governments	-	69,595	69,595
Interfund receivable	66,525	-	66,525
Inventory	46,175	4,485	50,660
Total assets	<u>\$ 21,047,048</u>	<u>\$ 2,811,265</u>	<u>\$ 23,858,313</u>
Liabilities, deferred inflow s of resources and fund balance			
Liabilities			
Accounts and contracts payable	\$ 231,720	\$ 134,100	\$ 365,820
Accrued salaries, wages and benefits	1,636,632	223	1,636,855
Due to other governments	283,313	45	283,358
Interfund payable	-	66,525	66,525
Compensated absences	423,208	-	423,208
Total liabilities	<u>2,574,873</u>	<u>200,893</u>	<u>2,775,766</u>
Deferred inflow s of resources			
Property taxes	10,009,530	-	10,009,530
Unavailable - delinquent property tax	431,204	-	431,204
Unavailable - other	7,305	69,387	76,692
Total deferred inflow s of resources	<u>10,448,039</u>	<u>69,387</u>	<u>10,517,426</u>
Fund balances			
Nonspendable	46,175	4,485	50,660
Restricted	-	2,603,293	2,603,293
Committed	67,010	-	67,010
Assigned	889,494	-	889,494
Unassigned (deficit)	7,021,457	(66,793)	6,954,664
Total fund balances	<u>8,024,136</u>	<u>2,540,985</u>	<u>10,565,121</u>
Total liabilities, deferred inflow s of resources and fund balances	<u>\$ 21,047,048</u>	<u>\$ 2,811,265</u>	<u>\$ 23,858,313</u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

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

Total governmental funds balances	\$	10,565,121
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		14,456,094
Other long term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds:		
Property taxes	\$	431,204
Interest		7,305
Due from other governments		66,525
		505,034
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(3,118,999)
Notes payable		(3,066,230)
Accrued interest payable		(56,780)
		(6,242,009)
Net pension liability is not due and payable in the current period and therefore the liability and related deferred outflow s/inflow s of resources are not reported in the governmental funds		
Deferred outflow of resources - pension		1,892,557
Net pension liability		(26,049,030)
Deferred inflow of resources - pension		(3,783,242)
		(27,939,715)
Net position of governmental activities	\$	(8,655,475)

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 10,655,782	\$ -	\$ 10,655,782
Tuition and fees	1,828,236	-	1,828,236
Interest	34,375	-	34,375
Intergovernmental	8,740,471	1,376,742	10,117,213
Charges for services	-	178,318	178,318
Other	313,327	6,000	319,327
Total revenues	21,572,191	1,561,060	23,133,251
Expenditures			
Current			
Instruction			
Regular	2,126,142	7,529	2,133,671
Special	119,399	-	119,399
Vocational	8,089,301	121,027	8,210,328
Adult education	1,108,067	249,592	1,357,659
Other instruction	70,909	-	70,909
Supporting services			
Pupil	1,387,938	472,497	1,860,435
Instructional staff	1,618,020	244,183	1,862,203
Board of education	64,982	-	64,982
Administration	1,618,770	11	1,618,781
Fiscal services	866,892	819	867,711
Business	214,130	58	214,188
Operation and maintenance	1,932,690	932,725	2,865,415
Pupil transportation	47,439	-	47,439
Central services	320,658	-	320,658
Operation of non-instructional	1,269	411,399	412,668
Extracurricular activities	365,061	-	365,061
Debt service			
Principal	-	201,546	201,546
Interest	-	72,620	72,620
Total expenditures	19,951,667	2,714,006	22,665,673
Excess (deficiency) of revenues over expenditures	1,620,524	(1,152,946)	467,578
Other financing sources (uses)			
Transfers-in	-	352,842	352,842
Transfers-out	(352,842)	-	(352,842)
Total other financing sources (uses)	(352,842)	352,842	-
Net change in fund balances	1,267,682	(800,104)	467,578
Fund balances, beginning of year	6,756,454	3,341,089	10,097,543
Fund balances, end of year	\$ 8,024,136	\$ 2,540,985	\$ 10,565,121

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

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

Net change in fund balances - total governmental funds	\$	467,578
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded net capital outlays in the current period.		
Capital outlay	\$	1,337,939
Disposals		(540,141)
Depreciation expense		<u>(826,269)</u>
		(28,471)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(29,522)
Interest		7,305
Due from other governments		<u>(158,273)</u>
		(180,490)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		1,673,249
Except for amounts reported as deferred outflows/inflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(362,512)
Repayment of notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		201,546
Accrued interest expense in the statement of activities does not require the use of current financial resources and therefore, is not reported as an expenditure in the governmental funds.		
		3,730
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>92,188</u>
Change in net position of governmental activities	<u>\$</u>	<u>1,866,818</u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET BASIS (NON-GAAP) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenue and other financing sources	\$ 19,908,378	\$ 19,908,378	\$ 20,296,082	\$ 387,704
Expenditures and other financing uses	19,249,577	20,315,454	18,705,751	1,609,703
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	658,801	(407,076)	1,590,331	1,997,407
Fund balances, beginning of year	5,998,197	5,998,197	5,998,197	-
Prior year encumbrances	315,454	315,454	315,454	-
Fund balances, end of year	<u>\$ 6,972,452</u>	<u>\$ 5,906,575</u>	<u>\$ 7,903,982</u>	<u>\$ 1,997,407</u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND

JUNE 30, 2015

Assets	
Equity in pooled cash	\$ 47,919
Total assets	<u>\$ 47,919</u>
Liabilities	
Due to students	\$ 47,919
Total liabilities	<u>\$ 47,919</u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF BASIC OPERATIONS AND DESCRIPTION OF ENTITY

REPORTING ENTITY

The Lorain County Joint Vocational School District (the School District) is a school district corporation established with rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The School District is governed by an elected Board of Education comprised of representatives from each participating school district. Average daily membership on, or as of, October 1, 2014 was 1,331. The School District employs 178 certificated and 94 non-certificated employees.

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present all funds of the primary government. The primary government consists of all funds, departments, boards, organizations, and agencies that are not legally separate for financial reporting purposes.

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

The School District is associated with and participates in the North Coast Council Ohio (NCCO), Ohio Schools Council (Council), Tri-Rivers Educational Computer Association (TRECA) and Lake Erie Regional Council (LERC), which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 12.

Management believes the basic financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operational control.

The financial statements of the School District have been prepared in conformity with GAAP as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. BASIS OF PRESENTATION

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements present those activities of the School District that are governmental activities. The School District has no business-type activities.

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

Fund Financial Statements

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

C. FUND ACCOUNTING

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

Governmental Funds

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

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

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

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 School District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the School District's own programs. The School District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those students activities which consist of a student body, student president, student treasurer and faculty advisor.

D. MEASUREMENT FOCUS

Government-wide Financial Statements - The government-wide statements are prepared using the economic resources measurement focus. All non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities reports increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the government-wide statements.

E. BASIS OF ACCOUNTING

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue - Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available for advance, grants, accrued interest, tuition, and student fees. Related receivables at June 30, 2015 are considered collectible in full due to the ability to foreclose for nonpayment of taxes, the stable condition of the State programs, and the guarantee of federal funds.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 17.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 17.)

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

Expenses/Expenditures

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

F. INTERFUND BALANCES

On fund financial statements, outstanding interfund loans are reported as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the statement of net position (See Note 8).

G. RESTRICTED ASSETS

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws other governments or imposed by enabling legislation.

H. INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when used.

I. CAPITAL ASSETS

All capital assets of the School District are classified as general capital assets. 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS (continued)

All reported capital assets except land and construction in progress are depreciated. The School District depreciates its assets using the half-year convention which assumes that the asset is depreciable for half of the fiscal year it is placed in service regardless of when the asset was actually acquired. 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:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	5 - 30 years
Buildings and improvements	15 - 30 years
Furniture, fixtures and equipment	7 - 20 years
Vehicles	5 - 10 years
Infrastructure	30 years

J. COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the termination method. The liability is calculated by developing a ratio based on historical data of sick leave paid at termination compared with sick leave accumulated and by applying that ratio to the sick leave accumulated balances as of June 30, 2015. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

K. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is matured and payable at year end, using expendable available financial resources. These amounts, if significant, are recorded in the account "compensated absences" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the fund statements. The entire compensated absences liability is reported on the government-wide statements.

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, 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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. FUND BALANCE

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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.

Restricted

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

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District's Board of Education. Those committed amounts cannot be used for any other purpose unless the School District's 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 School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District's Board of Education, which includes giving the Treasurer the authority to constrain monies for the intended purposes.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation and associated long term debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net position reports \$ 2,607,156 of net position restricted, none of which is restricted by enabling legislation.

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

N. INTERFUND TRANSACTIONS

Exchange transactions between funds are reported as revenues in the seller fund 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. Transfers between governmental activities on the Statement of Activities are eliminated. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. ESTIMATES

The preparation of 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. BUDGETARY PROCESS

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

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year (See Note 3).

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. No prepaids were recorded.

R. CASH AND CASH EQUIVALENTS

Cash received by the School District is deposited in one pooled central bank account to improve cash management with individual fund balance integrity maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and investments" on the financial statements. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income was earned and credited to the General Fund for the year ended June 30, 2015 totaled \$ 34,375, which includes \$ 9,874 assigned from other funds.

Investments and demand deposits of the pooled cash with an original maturity of three months or less are considered to be cash and cash equivalents as presented on the financial statements and are reported at cost or amortized cost. Investments are reported at fair value, which is based on quoted market prices.

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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

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

	<u>Governmental Activities</u>
Net position June 30, 2014	\$ 18,728,159
Adjustments	
Net pension liability	(30,965,206)
Deferred outflow - payments subsequent to measurement date	1,714,754
Restated net position June 30, 2014	<u>\$ (10,522,293)</u>

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The Board of Education is required, by Ohio Revised Code, to adopt an annual budget in accordance with the following:

Tax Budget: - A budget of estimated cash receipts and disbursements is adopted prior to January 15 by the board. A budget of estimated revenue and expenditures is submitted to the county auditor, as secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30, fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to fiscal year end, the School District must revise its budget so that the total contemplated expenditures from a fund during the year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts, as shown in the accompanying "Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) – General Fund", do not include July 1, 2014 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported in the budgetary statements reflect the final budget figures.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

Appropriations - Appropriations may be defined as expenditure authorization and are synonymous with budget within the Budget and Actual presentations. A temporary appropriation measure to control the cash disbursements may be passed prior to passage of the annual appropriation measure. An annual appropriation measure must be passed for the current fiscal year by October 1 of each budget year. The appropriation measure may be amended or supplemented during the year as new information becomes available. Management has Board of Education approval to amend or supplement appropriations so long as appropriations do not exceed available resources at the fund level. Several amendments and supplements were enacted during the fiscal year. The amounts reported in the budgetary statements reflect first and final amended appropriations. Appropriations may not exceed estimated resources and expenditures plus encumbrances may not exceed appropriations at the fund level.

Lapsing of Appropriation - At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the fund financial statements, encumbrances outstanding at year end for governmental funds are reported as restricted, committed or assigned.

Budgetary Basis of Accounting - Although reporting financial position, results of operations, and changes in fund balances on the GAAP basis, the budgetary basis as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Basis) – General Fund" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP Basis).
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) rather than when the liability is incurred (GAAP basis).
3. 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 restricted, assigned or committed fund balance for the portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
4. Some funds are included in the General Fund (GAAP basis), but have a separate legally adopted budget (budget basis).
5. Advances-in and advances-out are operating transactions (budget basis), as opposed to balance sheet transactions (GAAP basis).
6. Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis).

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

Adjustments necessary to convert the results of operations for the major General Fund at the end of the year on the budget basis to the GAAP basis are as follows:

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 1,590,331
Adjustments, increase (decrease)	
Revenue accruals	(531,269)
Expenditure accruals	(278,540)
Encumbrances	571,750
Funds budgeted separately	(84,590)
GAAP basis, as reported	<u>\$ 1,267,682</u>

NOTE 4 – FUND BALANCE

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

Fund Balances	General Fund	Other Governmental Funds	Total
Nonspendable			
Inventory	\$ 46,175	\$ 4,485	\$ 50,660
Restricted for			
Other grants	-	47,328	47,328
NASA	-	617,376	617,376
Lunch program	-	17,325	17,325
Capital projects	-	1,921,264	1,921,264
	<u>-</u>	<u>2,603,293</u>	<u>2,603,293</u>
Committed			
Section 125 plan	67,010	-	67,010
Assigned			
Adult education	182,916	-	182,916
Program related shops	299,042	-	299,042
Other purposes	407,536	-	407,536
	<u>889,494</u>	<u>-</u>	<u>889,494</u>
Unassigned (deficit)	7,021,457	(66,793)	6,954,664
	<u>\$ 8,024,136</u>	<u>\$ 2,540,985</u>	<u>\$ 10,565,121</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5 - DEFICIT FUND BALANCE

At June 30, 2015, the Perkins Grant Fund had a deficit fund balance of \$ 63,689 and the Title II-A Fund had a deficit fund balance of \$ 3,104. The General Fund is liable for deficit in the fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

Deposits and investments are restricted by provisions of the Ohio Revised Code. Statutes require the classification of monies held by the School 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 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 are not required for use within the current two 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 five years from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies are permitted to 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 or 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. or (2) of this section 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 (STAROhio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

At fiscal year end, the School District had \$ 855 in cash on hand which is included in equity in pooled cash and investments.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, the carrying amount of the School District's deposits was \$ 7,368,635 and the bank balance was \$ 7,451,533. Of the bank balance, \$ 251,198 was covered by federal depository insurance. The remainder was collateralized with securities held by the pledging financial institution.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution.

Interest Rate Risk - As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than two years.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2015, the School District's investments were 0.07% in money market funds, 10.05% in commercial paper and 89.9% in various U.S. agencies and treasuries. The investments in US agencies and treasuries have a credit rating of AA+ by Standards & Poor's and the commercial paper has a credit rating of A-1+ by Standards & Poor's.

Concentrations of Credit Risk - The School District places no limit on the amount it may invest in any one issuer. As of June 30, 2015, the School District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
US Government Agency Notes	3/30/2016 - 5/27/2020	\$ 3,866,972
US Treasury Notes	10/31/2015	250,000
Commercial Paper	11/20/2015	458,630
Money Market	n/a	3,318
		<u>\$ 4,578,920</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real estate and public utility located in the School District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property taxes received from telephone companies in calendar year 2015 were levied after October 1, 2014, on the value as of December 31, 2014. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this year the settlement was late.

The School District receives property taxes from Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only delinquent settlement of tangible personal property taxes and 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 of resources. The amount available as an advance at June 30, 2015 was \$ 1,319,591 in the General Fund. The amount available as an advance at June 30, 2014, was \$ 1,538,235 in the General Fund.

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	%	Amount	%
Agricultural/Residential	\$4,258,763,140	78.56	\$4,305,816,450	78.71
Commercial / Industrial	985,327,240	18.17	972,575,030	17.78
Public Utilities	177,393,030	3.27	191,966,450	3.51
Total Assessed Value	<u>\$5,421,483,410</u>	<u>100.00</u>	<u>\$5,470,357,930</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 2.45</u>		<u>\$ 2.45</u>	

NOTE 8 - INTERFUND TRANSACTIONS

A. TRANSFERS

The General Fund reported transfers out of \$ 78,676 to the Lunch Program Fund and \$ 274,166 to the Debt Service Fund at June 30, 2015. The transfers represent the monies provided by the General Fund to pay down the energy conservation notes and expenditures of the lunch program in the School District.

B. INTERFUND BALANCES

The interfund payables are advances for grant monies that were not received by fiscal year end. The School District expects to receive the grant monies within the next fiscal year, at which time the advances will be repaid.

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General	\$ 66,525	\$ -
Non major Funds		
Improving Teacher Quality	-	3,104
Perkins Grant	-	63,421
Total	<u>\$ 66,525</u>	<u>\$ 66,525</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9 - CAPITAL ASSETS

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

	Balance June 30, 2014	Additions	Disposals	Balance June 30, 2015
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 138,000	\$ -	\$ -	\$ 138,000
Construction in progress	-	58,635	-	58,635
Total nondepreciable capital assets	<u>138,000</u>	<u>58,635</u>	<u>-</u>	<u>196,635</u>
Depreciable capital assets				
Land improvements	1,019,134	24,500	-	1,043,634
Buildings and improvements	23,685,375	752,960	393,728	24,044,607
Furniture, fixtures and equipment	5,200,178	496,844	956,943	4,740,079
Vehicles	590,129	5,000	12,451	582,678
Infrastructure	1,681,827	-	34,452	1,647,375
Total capital assets being depreciated	<u>32,176,643</u>	<u>1,279,304</u>	<u>1,397,574</u>	<u>32,058,373</u>
Less accumulated depreciation				
Land improvements	(959,728)	(4,681)	-	(964,409)
Buildings and improvements	(12,589,030)	(570,772)	346,805	(12,812,997)
Furniture, fixtures and equipment	(3,422,197)	(174,866)	501,204	(3,095,859)
Vehicles	(485,607)	(21,463)	4,578	(502,492)
Infrastructure	(373,516)	(54,487)	4,846	(423,157)
Total accumulated depreciation	<u>(17,830,078)</u>	<u>(826,269)</u>	<u>857,433</u>	<u>(17,798,914)</u>
Depreciable capital assets, net of accumulated depreciation	<u>14,346,565</u>	<u>453,035</u>	<u>540,141</u>	<u>14,259,459</u>
Governmental activities capital assets, net	<u>\$ 14,484,565</u>	<u>\$ 511,670</u>	<u>\$ 540,141</u>	<u>\$ 14,456,094</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Vocational education	\$ 653,522
Adult education	1,749
Supporting services	
Instructional staff	1,749
Administration	1,749
Fiscal	1,749
Business	2,294
Operation and maintenance of plant	147,363
Pupil transportation	12,051
Central services	2,294
Operation of noninstruction services	.
Community service	1,749
Total depreciation expense	<u>\$ 826,269</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 10 - LONG-TERM OBLIGATIONS

Changes in long-term obligations, governmental activities, are as follows:

	Outstanding June 30, 2014	Additions	Retired	Outstanding June 30, 2015	Amounts Due In One Year
Net pension liability					
STRS	\$ 26,300,750	\$ -	\$ 4,221,423	\$ 22,079,327	\$ -
SERS	4,664,456	-	694,753	3,969,703	-
Total net pension liability	<u>30,965,206</u>	<u>-</u>	<u>4,916,176</u>	<u>26,049,030</u>	<u>-</u>
Energy conservation notes	3,267,776	-	201,546	3,066,230	206,025
Compensated absences	3,346,002	567,963	371,758	3,542,207	554,240
	<u>\$ 37,578,984</u>	<u>\$ 567,963</u>	<u>\$ 5,489,480</u>	<u>\$ 32,657,467</u>	<u>\$ 760,265</u>

The energy conservation notes and compensated absences will be repaid from the debt service fund and the funds which employees' salaries are paid, respectively. Refer to Note 1, for additional information related to compensated absences.

Principal and interest required to retire the energy conservation notes at June 30, 2015 were as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 206,025	\$ 68,141	\$ 274,166
2017	210,603	63,563	274,166
2018	215,284	58,883	274,167
2019	220,068	54,098	274,166
2020	224,958	49,208	274,166
2021-2025	1,202,041	168,789	1,370,830
2026-2027	787,251	35,248	822,499
	<u>\$ 3,066,230</u>	<u>\$ 497,930</u>	<u>\$ 3,564,160</u>

NOTE 11 - OPERATING LEASE

The School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreement is not reflected in the School District's general long-term debt. During 2015, expenditures for the operating lease totaled \$ 33,802.

Year ending June 30,	Amount
2016	\$ 33,802
2017	5,634
Total minimum lease payments	<u>\$ 39,436</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

A. NORTH COAST COUNCIL OHIO (NCCO)

The North Coast Council Ohio (NCCO) is a jointly governed organization comprised of 31 school districts. NCCO was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Each of the governments of these districts supports NCCO based upon a per pupil charge, dependent upon the software package utilized. The NCCO assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. NCCO is governed by a board of directors chosen from the general membership of the NCCO assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Fiscal information for NCCO is available from the Treasurer of the Educational Service Center of Cuyahoga County (fiscal agent), located at 5700 West Canal, Valley View, Ohio 44125. During the year ended June 30, 2015, the School District paid \$ 29,130 to NCCO for basic service charges.

B. LAKE ERIE REGIONAL COUNCIL (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of fourteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge except for insurance.

The LERC's shared risk pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal year, each participating member is notified of the deficiency and billed for its share of the additional cost.

The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County at 1885 Lake Avenue, Elyria, Ohio.

During fiscal year 2015, the School District paid approximately \$ 2,444,425 to LERC.

C. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. The Council's Board consists of seven superintendents of the participating districts whose term rotates every fiscal year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2015, the School District paid \$ 88,869 to the Council for participation in the prepaid natural gas program.

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of over 30 Ohio School Districts located primarily in Delaware, Knox, Marion, Morrow, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The Governing Board of TRECA consists of one representative from each county elected by majority vote of all charter member districts within each county, one representative from the city districts, and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 100 Executive Drive, Marion, Ohio 43302. During the year ended June 30, 2015, the School District paid \$ 62,566 in basic services to TRECA.

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a reduction in coverage from the prior year.

The School District has a comprehensive property and casualty policy with the Acord Insurance Co. The deductible is \$ 1,000 per incident. All vehicles are insured with Acord Insurance Co. and have a \$ 250 Comprehensive and \$ 500 Collision deductible. All Board Members, Administrators and employees are covered under a school district liability policy with Acord Insurance Co. The coverage is for blanket employee dishonesty with a limit of \$ 250,000, money and securities with a limit of \$ 25,000 and forgery with a limit of \$ 250,000 all three have a \$ 250 deductible.

The Board President and the Superintendent are covered with surety bonds for \$ 20,000. The Treasurer also is covered by a surety bond in the amount of \$ 200,000. These bonds are with Travelers Casualty and Surety Company of America.

For fiscal year 2015, the School District participated in the Sheakley Workers' Compensation Group rating Program. The program is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the program. Each participant pays its rate. Participation in the program is limited to members that can meet the program's selection criteria. The districts apply for participation each year. Sheakley Co. provides administrative, cost control, and actuarial services to the program. Each year the District pays an enrollment fee to the program to cover the costs of administration.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 14 - CONTINGENCIES

A. GRANTS

The School District receives financial assistance from numerous federal and state agencies which is subjected to financial and compliance audits. Such audits could lead to a request for reimbursement to the grantor agency for disallowed expenditures. Management believes that any such disallowed amounts, if any, would not materially affect the District's financial position.

B. LITIGATION

The School District is not party to any claims or lawsuits that would have a material effect on the basic financial statements.

NOTE 15 – CONSTRUCTION COMMITMENTS

At June 30, 2015, the School District have the following construction commitments:

	<u>Contracted Amount</u>	<u>Expended</u>	<u>Remaining Contract Amount</u>
Enery Service Project	\$ 212,170	\$ 58,635	\$ 153,535

NOTE 16 - SET-ASIDE

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

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2015.

	<u>Capital Maintenance</u>
Balance, July 1, 2014	\$ -
Required set aside	196,381
Qualifying expenditures	(1,550,657)
Balance, June 30, 2015	<u>\$ (1,354,276)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years and therefore not presented as being carried forward to future fiscal years.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS

A. NET PENSION LIABILITY

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

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

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

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

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

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$ 343,206 for fiscal year 2015. Of this amount none is reported as an intergovernmental payable.

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee 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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

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.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$ 1,330,043 for fiscal year 2015. Of this amount none is reported as an intergovernmental payable.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,969,703	\$ 22,079,327	\$ 26,049,030
Proportion of the net pension liability	0.078438%	0.090774%	
Pension expense	\$ 114,326	\$ 248,185	\$ 362,511

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 27,029	\$ 170,049	\$ 197,078
School District contributions subsequent to the measurement date	343,206	1,330,043	1,673,249
Difference between employer contribution and proportionate share of contribution	11,908	10,322	22,230
Total deferred outflows of resources	<u>\$ 382,143</u>	<u>\$ 1,510,414</u>	<u>\$ 1,892,557</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 515,435</u>	<u>\$ 3,267,807</u>	<u>\$ 3,783,242</u>

\$ 1,673,249 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	\$ (119,125)	\$ (771,860)	\$ (890,985)
2017	(119,125)	(771,860)	(890,985)
2018	(119,125)	(771,860)	(890,985)
2019	(119,123)	(771,856)	(890,979)
	<u>\$ (476,498)</u>	<u>\$ (3,087,436)</u>	<u>\$ (3,563,934)</u>

E. ACTUARIAL ASSUMPTIONS - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent of net of investments expense, including inflation
Actuarial cost method	Early 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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	1.00%	0.00%
U.S. stocks	22.50%	5.00%
Non-U.S. 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	15.00%	7.50%
	100.00%	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 5,663,586	\$ 3,969,703	\$ 2,545,000

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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 Allocation</u>	<u>Long-term Expected 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	1.00%	3.00%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS - STRS

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 31,608,964	\$ 22,079,327	\$ 14,020,461

NOTE 18 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$ 20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$ 23,810.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 18 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (continued)

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$ 3,576, \$ 3,430, and \$ 3,952, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

B. STATE TEACHERS RETIREMENT SYSTEM

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$ 0, \$ 92,234, and \$ 98,305, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statement were available for release.

REQUIRED SUPPLEMENTARY INFORMATION

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS (1)

	<u>2014</u>	<u>2013</u>
School District's proportion of the net pension liability	0.078438%	0.078438%
School District's proportionate share of the net pension liability	\$ 3,969,703	\$ 4,664,456
School District's covered-employee payroll	\$ 2,235,056	\$ 2,143,496
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	177.61%	217.61%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS (1)

	<u>2014</u>	<u>2013</u>
School District's proportion of the net pension liability	0.090774%	0.090774%
School District's proportionate share of the net pension liability	\$ 22,079,327	\$ 26,300,750
School District's covered-employee payroll	\$ 9,012,124	\$ 9,223,357
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.00%	285.15%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

(1) Information prior to 2013 is not available

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 312,908	\$ 300,089	\$ 345,797	\$ 343,216
Contributions in relation to the contractually required contribution	<u>(312,908)</u>	<u>(300,089)</u>	<u>(345,797)</u>	<u>(343,216)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered-employee payroll	\$ 2,235,056	\$ 2,143,496	\$ 2,469,975	\$ 2,451,546
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 337,248	\$ 324,203	\$ 308,098	\$ 323,489	\$ 295,424	\$ 276,988
<u>(337,248)</u>	<u>(324,203)</u>	<u>(308,098)</u>	<u>(323,489)</u>	<u>(295,424)</u>	<u>(276,988)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,408,917	\$ 2,315,736	\$ 2,200,698	\$ 2,310,636	\$ 2,110,172	\$ 1,978,488
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,171,576	\$ 1,199,036	\$ 1,277,960	\$ 1,354,793
Contributions in relation to the contractually required contribution	<u>(1,171,576)</u>	<u>(1,199,036)</u>	<u>(1,277,960)</u>	<u>(1,354,793)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered-employee payroll	\$ 9,012,124	\$ 9,223,357	\$ 9,830,463	\$ 10,421,486
Contributions as a percentage of covered- employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,370,983	\$ 1,145,088	\$ 1,120,169	\$ 1,264,430	\$ 1,189,722	\$ 1,156,270
<u>(1,370,983)</u>	<u>(1,145,088)</u>	<u>(1,120,169)</u>	<u>(1,264,430)</u>	<u>(1,189,722)</u>	<u>(1,156,270)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,546,020	\$ 8,808,369	\$ 8,616,692	\$ 9,726,387	\$ 9,151,709	\$ 8,894,386
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Federal Awards Expenditures Schedule

For the Year Ended June 30, 2015

Federal Grantor/Program Title	CFDA Number	Program Expenditures
<u><i>U.S. Department of Education</i></u>		
Student Financial Assistance Cluster:		
Direct assistance:		
Pell Grant	84.063	\$ 185,583
Federal Direct Student Loans	84.268	<u>212,493</u>
Total U.S. Department of Education Direct Assistance		398,076
Passed through Ohio Department of Education:		
Vocational Education Basic Grant to States (Adult) FY2015	84.048	310,744
Vocational Education Basic Grant to States (Secondary) FY2014	84.048	115,663
Vocational Education Basic Grant to States (Secondary) FY2015	84.048	<u>385,161</u>
Total Vocational Education Basic Grants to States		811,568
Improving Teacher Quality, Title II-A -FY2015	84.367	<u>3,104</u>
Total Passed-Through Ohio Department of Education		<u>814,672</u>
Total US Department of Education		1,212,748
<u><i>U.S. Department of Agriculture</i></u>		
Nutrition Cluster:		
Passed through Ohio Department of Education:		
Cash Assistance: National School Lunch Program	10.555	125,307
School Breakfast Program	10.553	22,040
Direct Program		
Non-Cash Assistance: National School Lunch (Food Distribution)	10.555	<u>18,890</u>
Total Nutrition Cluster		<u>166,237</u>
Total US Department of Agriculture		<u>166,237</u>
Total Federal Awards		<u><u>\$ 1,378,985</u></u>

See accompanying Notes to the Federal Awards Expenditures Schedule

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Lorain County, Ohio
Notes to the Federal Awards Expenditures Schedule
For the Year Ended June 30, 2015

1. Significant Accounting Policies

The accompanying federal awards expenditures schedule is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at the USDA value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2015, the District had immaterial food commodities in inventory.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Lorain County Joint Vocational School District
Lorain County
15181 Route 58 South
Oberlin, Ohio 44074

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 Lorain County Joint Vocational School District, Lorain County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2016. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

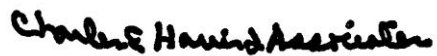
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
January 26, 2016

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Lorain County Joint Vocational School District
Lorain County
15181 Route 58 South
Oberlin, Ohio 44074

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Lorain County Joint Vocational School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Lorain County Joint Vocational School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

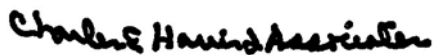
Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
January 26, 2016

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY
June 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Vocational Education Basic Grant to States CFDA # 84.048
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY
JUNE 30, 2015**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending June 30, 2014, reported no material citations or recommendations.

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Dave Yost • Auditor of State

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

LORAIN 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
MAY 12, 2016