

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

***LORAIN COUNTY***

**Audit Report**

**For the Year Ended June 30, 2014**







# 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, 2013 through June 30, 2014. 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

March 19, 2015

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LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2014

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

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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, 2014, 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 opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain County Joint Vocational School District, Lorain County, Ohio, as of June 30, 2014, and the 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.

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

#### *Supplementary and Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, 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.***  
December 17, 2014

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(unaudited)

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As management of the Lorain County Joint Vocational School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. 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 District's financial performance. This discussion and analysis of the District's financial performance is intended to serve as an introduction to the District's basic financial statements, and provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The 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 2014 are as follows:

- In total, net position increased \$ 1,831,173 compared to the prior year.
- General revenues accounted for \$ 19,643,576 or 84.2 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 \$ 3,689,087 or 15.8 percent of total revenues of \$ 23,332,663.
- The District had \$ 21,501,490 in expenses related to governmental activities; only \$ 3,689,087 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 \$ 19,643,576 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 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 District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major fund with all other non-major funds presented in total in one column. The major funds for the District are the General Fund and Capital Projects Fund.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Reporting the District as a Whole**

One of the most important questions asked about the District is "How did we do financially during 2014?"

The *Statement of Net Position* and *Statements of Activities*, which appear first in the District's basic financial statements, report information on the 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 District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, the 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 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 District is combined into one activity:

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

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

**Fund Financial Statements**

The analysis of the District's major funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's major funds.

**Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps 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  
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(unaudited)

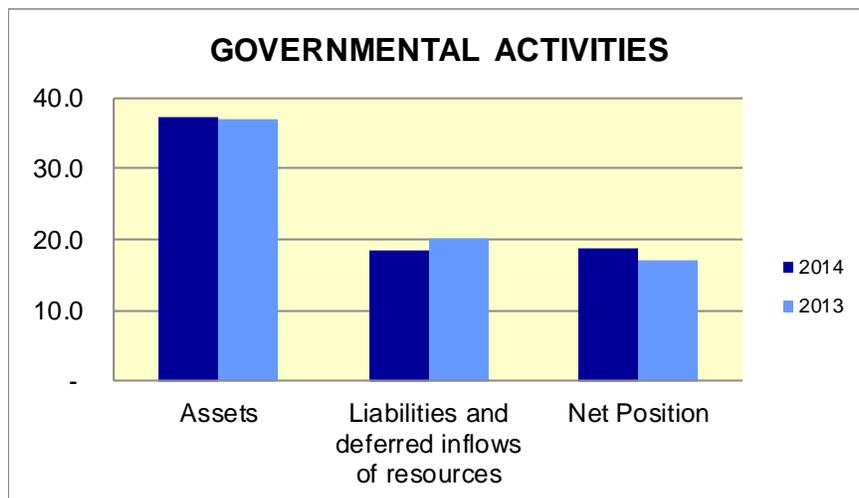
**The District as a Whole**

Table 1 provides a summary of the District's net position for 2014 compared to 2013:

**Table 1  
Net Position**

	2014	2013	Change
<b>Assets</b>			
Current and other assets	\$ 22,642,988	\$ 22,039,950	\$ 603,038
Capital assets, net	14,484,565	14,852,642	(368,077)
<b>Total assets</b>	<b>37,127,553</b>	<b>36,892,592</b>	<b>234,961</b>
<b>Liabilities</b>			
Current liabilities	2,119,056	2,875,968	(756,912)
Long term liabilities			
Due within one year	460,707	759,210	(298,503)
Due in more than one year	6,153,071	6,488,801	(335,730)
<b>Total liabilities</b>	<b>8,732,834</b>	<b>10,123,979</b>	<b>(1,391,145)</b>
Deferred inflows of resources	9,666,560	9,871,627	(205,067)
<b>Net position</b>			
Net investment in capital assets	11,216,789	11,899,195	(682,406)
Restricted	3,565,116	3,220,274	344,842
Unrestricted	3,946,254	1,777,517	2,168,737
<b>Total net position</b>	<b>\$ 18,728,159</b>	<b>\$ 16,896,986</b>	<b>\$ 1,831,173</b>

Total assets increased by \$ 234,961. This was primarily due to increases in equity in pooled cash and equivalents. Total liabilities decreased \$ 1,391,145 mainly because of decreases in accounts and contracts payable, accrued salaries, wages and benefits and long term liabilities.



LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(unaudited)

Table 2 shows the changes in net position for fiscal year 2014 as compared to fiscal year 2013.

**Table 2**  
**Changes in Net Position**

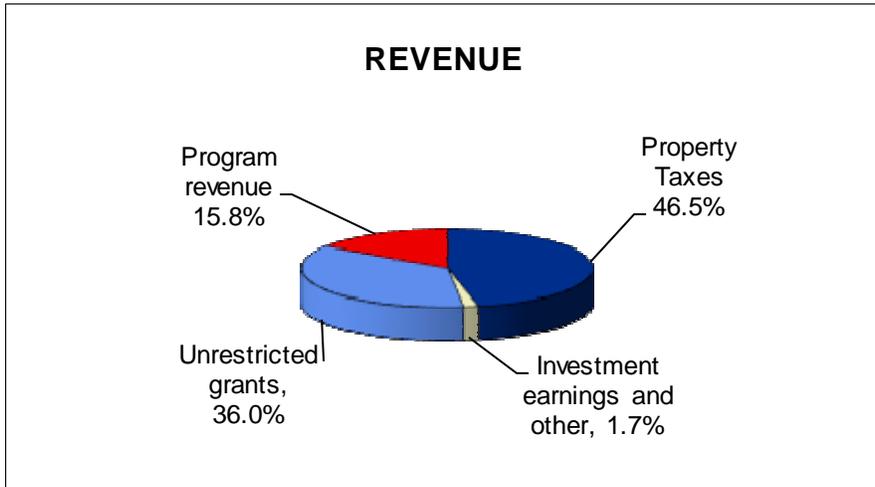
	2014	2013	Change
Revenues			
Program revenues			
Charges for services and sales	\$ 2,086,919	\$ 1,606,164	\$ 480,755
Operating grants, interest and contributions	1,583,368	2,061,151	(477,783)
Capital grants, interest and contributions	18,800	98,800	(80,000)
Total program revenues	<u>3,689,087</u>	<u>3,766,115</u>	<u>(77,028)</u>
General revenues			
Property taxes	10,841,234	10,334,263	506,971
Grants and entitlements not restricted to specific purposes	8,400,951	8,759,635	(358,684)
Investment earnings	32,713	24,266	8,447
Miscellaneous	368,678	488,373	(119,695)
Total general revenues	<u>19,643,576</u>	<u>19,606,537</u>	<u>37,039</u>
Total revenues	<u>23,332,663</u>	<u>23,372,652</u>	<u>(39,989)</u>
Program expenses			
Instruction	12,893,087	13,512,694	(619,607)
Supporting services	7,831,746	9,169,812	(1,338,066)
Operation of non-instructional	494,914	952,898	(457,984)
Extracurricular activities	208,353	224,778	(16,425)
Interest	73,390	66,123	7,267
Total expenses	<u>21,501,490</u>	<u>23,926,305</u>	<u>(2,424,815)</u>
Change in net position	1,831,173	(553,653)	2,384,826
Net position at beginning of year	<u>16,896,986</u>	<u>17,450,639</u>	<u>(553,653)</u>
Net position at end of year	<u>\$ 18,728,159</u>	<u>\$ 16,896,986</u>	<u>\$ 1,831,173</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

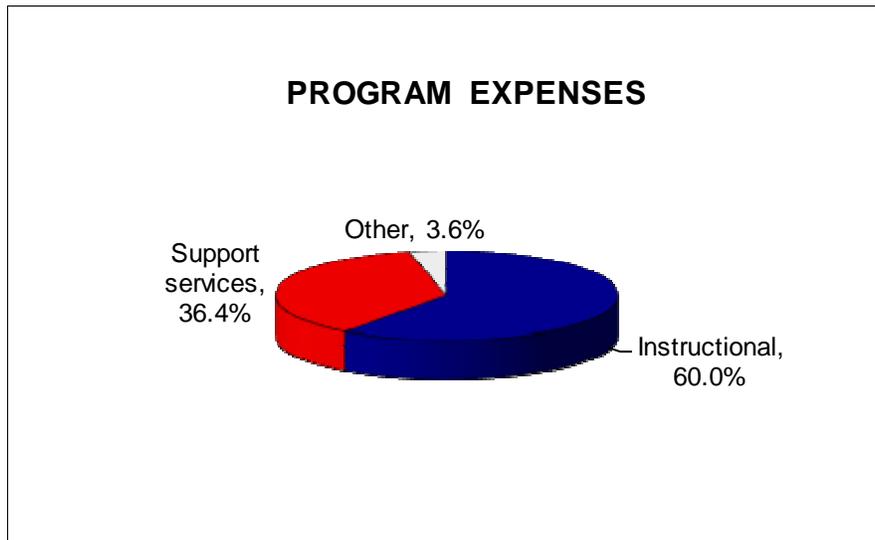
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(unaudited)

**Governmental Activities**

Several revenue sources fund our governmental activities with property taxes being the largest contributor; \$ 10,841,234 or 46.5 percent. Grants and entitlements not restricted to a specific program of \$ 8,400,951 made up 36.0 percent of revenues for governmental activities of the District for fiscal year 2014. The remaining amounts of revenue were in the form of program revenues, which equated to \$ 3,689,087 or 15.8 percent of total revenue and investment earning and miscellaneous revenues of \$ 401,391 or 1.7 percent. Total revenue in 2014 decreased compared to 2013 by \$ 39,989 which was mainly the result of a reduction in grants and entitlements not restricted to specific purposes.



Instructional expenses comprise \$ 12,893,087 or 60.0 percent of governmental program expenses. Support services expenses make up \$ 7,831,746 or 36.4 percent of governmental expenses. Other expenses totaled \$ 776,657 or 3.6 percent of governmental expenses. Overall, program expenses decreased by \$ 2,424,814 compared to 2013. This was the result of the District restructuring the organization.



LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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
Program expenses		
Instruction		
Regular	\$ 2,134,754	\$ (2,134,754)
Vocational	9,157,264	(8,369,775)
Adult education	1,601,069	241,652
Supporting services		
Pupil	1,609,091	(1,189,428)
Instructional staff	1,526,505	(1,320,337)
Board of education	28,594	(28,594)
Administration	1,504,856	(1,504,856)
Fiscal services	720,649	(720,649)
Business	198,974	(198,974)
Operation and maintenance	1,914,341	(1,842,316)
Pupil transportation	90,931	(90,931)
Central services	237,805	(237,805)
Operation of non-instructional	494,914	(133,893)
Extracurricular activities	208,353	(208,353)
Interest	73,390	(73,390)
Total expenses	\$ 21,501,490	\$(17,812,403)

**The District's Funds**

Information about the District's major funds, the General Fund and Capital Projects Fund, starts on page 13. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$ 23,820,848 with the General Fund accounting for \$ 22,090,004 of the total. The governmental expenditures and other financing uses was \$ 21,907,851 with the General Fund accounting for \$ 19,789,347 of the expenditures. The net change in fund balance for all governmental funds for the year was an increase of \$ 1,912,997. The General Fund had an increase in fund balance of \$ 2,300,657 and the Capital Projects Fund and other governmental funds had a combined total decrease in fund balance of \$ 387,660.

The General Fund's fund balance increase was primarily the result of significant decreases in expenditures of \$ 1,613,608 and an increase of \$ 371,938 in revenue. The decrease in revenue was from decreases in intergovernmental revenue compared to a year ago. Expenditures in all aspects of the District naturally increase with inflation however the result of the District's restructuring of programs and staff enabled the District to reduce expenditures in 2014 which contributed to the majority of the fund balance increase.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(unaudited)

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**General Fund – Budget Highlights**

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

During the course of fiscal year 2014, the 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 \$ 20,360,293. The actual revenue for fiscal year 2014 was \$ 5,062 higher than the final budget basis revenue due to increased intergovernmental receipts.

The original and final appropriations were \$ 20,496,909. Expenditures, however, were only \$ 19,188,765 or \$ 1,308,144 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 District's ending unobligated budgetary fund balance of \$ 5,998,197 was \$ 1,313,206 above the final budgeted fund balance of \$ 4,684,991.

**Capital Assets**

At the end of fiscal year 2014, at historical cost, the District had \$ 32,314,643 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure as compared to \$ 31,952,740 in 2013; all of which was related to governmental activities. Table 4 shows fiscal year 2014 net balances compared to 2013:

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

	2014	2013
Land	\$ 138,000	\$ 138,000
Construction in process	-	3,724,521
Land improvements	59,406	63,626
Building and improvement	11,096,345	7,702,422
Furniture and equipment	1,777,981	1,873,701
Vehicles	104,522	143,103
Infrastructure	1,308,311	1,207,269
Total capital assets	<u>\$ 14,484,565</u>	<u>\$ 14,852,642</u>

Net capital assets decreased \$ 368,077 from the prior year. This was primarily due to an increase in accumulated depreciation as a result of the completion of the energy conservation renovations.

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(unaudited)

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**Debt**

At June 30, 2014, the District had \$ 3,267,776 in energy conservation notes. These notes were issued for the purpose of purchasing and installing energy conservation measures throughout the District.

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

**Current Issues**

The District believes in sound fiscal policy and has made organizational changes to reduce spending levels to avoid deficit spending. The level of spending and the type of expenses of the District will continue to be analyzed for need and effectiveness. The District is also in the process of reviewing the educational process given to the student and plans on auditing the curriculum of the career technical programs offered to ensure the education being delivered continues to be relative to today's needs. Innovation is being sought in all aspects of operating and educating. Lorain County JVS seeks 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 District's finances and to show the 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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash and investments	\$ 10,725,958
Accounts receivable	11,135
Due from other governments	224,110
Inventory	16,264
Taxes receivable	11,665,521
Capital assets:	
Nondepreciable capital assets	138,000
Depreciable capital assets, net	14,346,565
<b>Total assets</b>	<b>37,127,553</b>
 <b>Liabilities</b>	
Accounts and contracts payable	54,849
Accrued salaries, wages and benefits	1,897,132
Accrued interest payable	60,510
Due to other governments	106,565
Long term liabilities:	
Due within one year	460,707
Due in more than one year	6,153,071
<b>Total liabilities</b>	<b>8,732,834</b>
 <b>Deferred inflows of resources</b>	
Property taxes	9,666,560
<b>Total deferred inflows of resources</b>	<b>9,666,560</b>
 <b>Net position</b>	
Net investment in capital assets	11,216,789
Restricted for:	
Capital projects	2,819,639
Other purposes	745,477
Unrestricted	3,946,254
<b>Total net position</b>	<b>\$ 18,728,159</b>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction					
Regular	\$ 2,134,754	\$ -	\$ -	\$ -	\$ (2,134,754)
Vocational	9,157,264	787,489	-	-	(8,369,775)
Adult education	1,601,069	1,115,373	727,348	-	241,652
Supporting services					
Pupil	1,609,091	-	419,663	-	(1,189,428)
Instructional staff	1,526,505	-	204,368	1,800	(1,320,337)
Board of education	28,594	-	-	-	(28,594)
Administration	1,504,856	-	-	-	(1,504,856)
Fiscal services	720,649	-	-	-	(720,649)
Business	198,974	-	-	-	(198,974)
Operation and maintenance	1,914,341	-	55,025	17,000	(1,842,316)
Pupil transportation	90,931	-	-	-	(90,931)
Central services	237,805	-	-	-	(237,805)
Operation of non-instructional	494,914	184,057	176,964	-	(133,893)
Extracurricular activities	208,353	-	-	-	(208,353)
Interest	73,390	-	-	-	(73,390)
Totals	<u>\$ 21,501,490</u>	<u>\$ 2,086,919</u>	<u>\$ 1,583,368</u>	<u>\$ 18,800</u>	<u>(17,812,403)</u>

General revenues:

Property taxes levied for:	
General purpose	10,841,234
Grants and entitlements not restricted to specific purposes	8,400,951
Investment earnings	32,713
Miscellaneous	368,678
Total general revenues	<u>19,643,576</u>

Change in net position	1,831,173
Net position at beginning of year	16,896,986
Net position at end of year	<u>\$ 18,728,159</u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflows of resources				
Assets				
Equity in pooled cash and investments	\$ 7,118,386	\$ 2,820,839	\$ 786,733	\$ 10,725,958
Receivables, net of allowance				
Taxes, current	11,204,795	-	-	11,204,795
Taxes, delinquent	460,726	-	-	460,726
Accounts and other	11,135	-	-	11,135
Due from other governments	-	-	224,110	224,110
Interfund receivable	224,110	-	-	224,110
Inventory	12,015	-	4,249	16,264
Total assets	<u>\$ 19,031,167</u>	<u>\$ 2,820,839</u>	<u>\$ 1,015,092</u>	<u>\$ 22,867,098</u>
Liabilities, deferred inflows of resources and fund balance				
Liabilities				
Accounts and contracts payable	\$ 21,799	\$ 1,200	\$ 31,850	\$ 54,849
Accrued salaries, wages and benefits	1,886,190	-	10,942	1,897,132
Due to other governments	104,623	-	1,942	106,565
Interfund payable	-	-	224,110	224,110
Compensated absences	134,815	-	-	134,815
Total liabilities	<u>2,147,427</u>	<u>1,200</u>	<u>268,844</u>	<u>2,417,471</u>
Deferred inflows of resources				
Property taxes	9,666,560	-	-	9,666,560
Unavailable - delinquent property tax	460,726	-	-	460,726
Unavailable - other	-	-	224,798	224,798
Total deferred inflows of resources	<u>10,127,286</u>	<u>-</u>	<u>224,798</u>	<u>10,352,084</u>
Fund balances				
Nonspendable	12,015	-	4,249	16,264
Restricted	62,013	2,819,639	656,719	3,538,371
Assigned	916,306	-	-	916,306
Unassigned (deficit)	5,766,120	-	(139,518)	5,626,602
Total fund balances	<u>6,756,454</u>	<u>2,819,639</u>	<u>521,450</u>	<u>10,097,543</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,031,167</u>	<u>\$ 2,820,839</u>	<u>\$ 1,015,092</u>	<u>\$ 22,867,098</u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

Total governmental funds balances		\$	10,097,543
Amount reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			14,484,565
Other long term assets are not available to pay for current period expenditures and therefore are unearned in the funds:			
Property taxes	\$	460,726	
Due from other governments		<u>224,798</u>	
			685,524
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Compensated absences		(3,211,187)	
Notes payable		(3,267,776)	
Accrued interest payable		<u>(60,510)</u>	
			<u>(6,539,473)</u>
Net position of governmental activities		\$	<u><u>18,728,159</u></u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 11,096,222	\$ -	\$ -	\$ 11,096,222
Tuition and fees	1,902,862	-	-	1,902,862
Interest	32,713	-	-	32,713
Intergovernmental	8,710,807	-	1,110,119	9,820,926
Other	347,400	-	205,335	552,735
<b>Total revenues</b>	<b>22,090,004</b>	<b>-</b>	<b>1,315,454</b>	<b>23,405,458</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	2,129,539	-	-	2,129,539
Vocational	8,493,158	-	96,558	8,589,716
Adult education	1,174,154	-	409,219	1,583,373
<b>Supporting services</b>				
Pupil	1,304,366	-	347,876	1,652,242
Instructional staff	1,366,341	-	184,745	1,551,086
Board of education	28,594	-	-	28,594
Administration	1,510,690	-	2,818	1,513,508
Fiscal services	732,332	-	-	732,332
Business	195,052	-	-	195,052
Operation and maintenance	1,943,547	120,119	45,347	2,109,013
Pupil transportation	69,900	-	-	69,900
Central services	215,224	-	19,334	234,558
Operation of non-instructional	-	-	505,738	505,738
Extracurricular activities	208,353	-	-	208,353
Capital outlay	2,707	112,584	-	115,291
<b>Debt service</b>				
Principal	-	-	222,644	222,644
Interest	-	-	51,522	51,522
<b>Total expenditures</b>	<b>19,373,957</b>	<b>232,703</b>	<b>1,885,801</b>	<b>21,492,461</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,716,047</b>	<b>(232,703)</b>	<b>(570,347)</b>	<b>1,912,997</b>
<b>Other financing sources (uses)</b>				
Transfers-in	-	-	415,390	415,390
Transfers-out	(415,390)	-	-	(415,390)
<b>Total other financing sources (uses)</b>	<b>(415,390)</b>	<b>-</b>	<b>415,390</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>2,300,657</b>	<b>(232,703)</b>	<b>(154,957)</b>	<b>1,912,997</b>
Fund balances, beginning of year	4,455,797	3,052,342	676,407	8,184,546
<b>Fund balances, end of year</b>	<b>\$ 6,756,454</b>	<b>\$ 2,819,639</b>	<b>\$ 521,450</b>	<b>\$ 10,097,543</b>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

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, 2014

Net change in fund balances - total governmental funds		\$ 1,912,997
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay, net in the current period.		
	Capital outlay, net	\$ 462,656
	Depreciation expense	<u>(830,733)</u>
		(368,077)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
	Property taxes	(254,988)
	Due from other governments	<u>182,193</u>
		(72,795)
Repayment of notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		222,644
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.		
		(21,868)
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>158,272</u>
Change in net position of governmental activities		<u>\$ 1,831,173</u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET BASIS (NON-GAAP) AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenue and other financing sources	\$ 19,716,200	\$ 20,360,293	\$ 20,365,355	\$ 5,062
Expenditures and other financing uses	20,496,909	20,496,909	19,188,765	1,308,144
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(780,709)	(136,616)	1,176,590	1,313,206
Fund balances, beginning of year	4,099,583	4,099,583	4,099,583	-
Prior year encumbrances	722,024	722,024	722,024	-
Fund balances, end of year	<u>\$ 4,040,898</u>	<u>\$ 4,684,991</u>	<u>\$ 5,998,197</u>	<u>\$ 1,313,206</u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUND

JUNE 30, 2014

Assets	
Equity in pooled cash	\$ 42,916
Total assets	<u>\$ 42,916</u>
Liabilities	
Accounts payable	\$ 270
Due to students	42,646
Total liabilities	<u>\$ 42,916</u>

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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 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 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, 2013 was 1,417. The District employs 149 certificated and 68 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 District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units.

The 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 7.

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

The financial statements of the 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 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  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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 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 District that are governmental activities. The District has no business-type activities.

The statement of net position presents the financial condition of the governmental-type activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 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 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 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 District's major governmental funds:

General Fund - The General Fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital Projects Fund – The Capital Projects Fund is used to account for the District construction and improvement projects.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

The other governmental funds of the 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 District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's only 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 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 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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 11). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from 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, interest, tuition, and student fees. Related receivables at June 30, 2014 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 net 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. As of June 30, 2014, the District did not have these types of transactions.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. The amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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 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 District maintains a capitalization threshold of three thousand five hundred 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  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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 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	20 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 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination 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, 2014. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the 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 payable" 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  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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 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 District's Board of Education. Those committed amounts cannot be used for any other purpose unless the 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. The District does not have committed fund balances.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted 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 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 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  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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 \$ 3,565,116 of net position restricted, none of which is restricted by enabling legislation.

The 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  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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 District is deposited in one pooled central bank account to improve cash management with individual fund balance integrity maintained through 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, 2014 totaled \$ 32,713, which includes \$ 13,873 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.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2014, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 66 , "Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62", Statement No. 69 "Government Combinations and Disposals of Government Operations", and Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

GASB Statement No.66, "Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62". The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No.69, "Government Combinations and Disposals of Government Operations". The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees". The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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 District. As part of this certification, the 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 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, 2013 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported in the budgetary statements reflect the final budget figures.

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:

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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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).

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	\$ 1,176,590
Adjustments, increase (decrease)	
Revenue accruals	(82,707)
Expenditure accruals	959,784
Encumbrances	315,454
Funds budgeted separately	(68,464)
GAAP basis, as reported	\$ 2,300,657

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

**NOTE 4 – FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the 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	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable				
Inventory	\$ 12,015	\$ -	\$ 4,249	\$ 16,264
Restricted for				
Other grants	-	-	39,343	39,343
NASA	-	-	617,376	617,376
Capital projects	-	2,819,639	-	2,819,639
Section 125 plan	62,013	-	-	62,013
	<u>62,013</u>	<u>2,819,639</u>	<u>656,719</u>	<u>3,538,371</u>
Assigned				
Adult education	268,323	-	-	268,323
Program related shops	299,260	-	-	299,260
Other purposes	348,723	-	-	348,723
	<u>916,306</u>	<u>-</u>	<u>-</u>	<u>916,306</u>
Unassigned (deficit)	5,766,120	-	(139,518)	5,626,602
	<u>\$ 6,756,454</u>	<u>\$ 2,819,639</u>	<u>\$ 521,450</u>	<u>\$ 10,097,543</u>

**NOTE 5 - DEFICIT FUND BALANCE**

At June 30, 2014, the Perkins Grant Fund had a deficit fund balance of \$ 138,822, the Title II-A Fund had a deficit fund balance of \$ 8 and the Food Service Fund had a deficit fund balance of \$ 688. 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 District into three categories.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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.

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

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 District's deposits was \$ 6,209,940 and the bank balance was \$ 6,430,402. Of the bank balance, \$ 252,145 was covered by federal depository insurance. The remainder was collateralized with securities held by the pledging financial institution.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

The 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 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 whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Interest Rate Risk - As a means of limiting its exposure to fair value losses caused by rising interest rates, the 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 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 District places no limit on the amount that may be invested in any one issuer. As of June 30, 2014, the District's investments were 0.18% in money market funds, 13.15% in commercial paper and 86.67% 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 District places no limit on the amount it may invest in any one issuer. As of June 30, 2014, the District had the following investments:

	Maturities	Fair Value
US Government Agency Notes	3/30/2016 - 4/30/2018	\$ 3,481,070
US Treasury Notes	10/31/2015	470,000
Commercial Paper	7/28/14 - 12/22/14	599,535
Money Market	n/a	8,329
		\$ 4,558,934

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 7 - 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, 2014, the District paid \$ 37,690 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 2014, the District paid approximately \$ 2,345,468 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 2014, the District paid \$ 172,332 to the Council for participation in the prepaid natural gas program.

The 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 7 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

The 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, 2014, the District paid \$ 43,565 in basic services to TRECA.

NOTE 8 - INTERFUND TRANSACTIONS

A. TRANSFERS

The General Fund reported transfers out of \$ 274,166 to the Debt Service Fund and \$ 141,224 to the Lunch Program Fund at June 30, 2014. 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 District.

B. INTERFUND BALANCES

The interfund payables are advances for grant monies that were not received by fiscal year end. The 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, 2014, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General	\$ 224,110	\$ -
Non major Funds		
Job Training/Career Development	-	1,467
Improving Teacher Quality	-	8
Perkins Grant	-	222,635
Total	\$ 224,110	\$ 224,110

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 138,000	\$ -	\$ -	\$ 138,000
Construction in progress	3,724,521	-	3,724,521	-
Total nondepreciable capital assets	<u>3,862,521</u>	<u>-</u>	<u>3,724,521</u>	<u>138,000</u>
Depreciable capital assets				
Land improvements	1,019,134	-	-	1,019,134
Buildings and improvements	19,807,767	3,877,608	-	23,685,375
Furniture, fixtures and equipment	5,104,060	236,332	140,214	5,200,178
Vehicles	631,541	-	41,412	590,129
Infrastructure	1,527,717	154,110	-	1,681,827
Total capital assets being depreciated	<u>28,090,219</u>	<u>4,268,050</u>	<u>181,626</u>	<u>32,176,643</u>
Less accumulated depreciation				
Land improvements	(955,508)	(4,220)	-	(959,728)
Buildings and improvements	(12,105,345)	(483,685)	-	(12,589,030)
Furniture, fixtures and equipment	(3,230,359)	(251,179)	59,341	(3,422,197)
Vehicles	(488,438)	(38,581)	41,412	(485,607)
Infrastructure	(320,448)	(53,068)	-	(373,516)
Total accumulated depreciation	<u>(17,100,098)</u>	<u>(830,733)</u>	<u>100,753</u>	<u>(17,830,078)</u>
Depreciable capital assets, net of accumulated depreciation	<u>10,990,121</u>	<u>3,437,317</u>	<u>80,873</u>	<u>14,346,565</u>
Governmental activities capital assets, net	<u>\$ 14,852,642</u>	<u>\$ 3,437,317</u>	<u>\$ 3,805,394</u>	<u>\$ 14,484,565</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Vocational education	\$ 642,678
Adult education	2,512
Supporting services	
Instructional staff	2,512
Administration	2,512
Fiscal	2,512
Business	3,042
Operation and maintenance of plant	148,381
Pupil transportation	21,031
Central services	3,042
Operation of noninstruction services	
Community service	2,511
Total depreciation expense	<u>\$ 830,733</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Outstanding June 30, 2013	Additions	Retired	Outstanding June 30, 2014	Amounts Due In One Year
Energy conservation notes	\$ 3,490,420	\$ -	\$ 222,644	\$ 3,267,776	\$ 201,546
Compensated absences	3,757,591	124,978	536,567	3,346,002	259,161
	<u>\$ 7,248,011</u>	<u>\$ 124,978</u>	<u>\$ 759,211</u>	<u>\$ 6,613,778</u>	<u>\$ 460,707</u>

The energy conservation notes and compensated absences will be repaid from the general 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, 2014 were as follows:

Year ending June 30,	Principal	Interest	Total
2015	\$ 201,546	\$ 72,620	\$ 274,166
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
2020-2024	1,175,908	194,922	1,370,830
2025-2027	1,038,342	58,323	1,096,665
	<u>\$ 3,267,776</u>	<u>\$ 570,550</u>	<u>\$ 3,838,326</u>

NOTE 11 - PROPERTY TAXES

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

Property taxes include amounts levied against all real estate and public utility located in the District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11 - PROPERTY TAXES (continued)

Tangible personal property taxes received from telephone companies in calendar year 2014 were levied after October 1, 2013, on the value as of December 31, 2013. 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 District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2015 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, 2014 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, 2014 was \$ 1,538,235 in the General Fund. The amount available as an advance at June 30, 2013, was \$ 1,256,899 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.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	%	Amount	%
Agricultural/Residential	\$4,215,512,190	78.33	\$4,258,763,140	78.56
Commercial / Industrial	980,698,460	18.22	985,327,240	18.17
Public Utilities	185,345,420	3.02	177,393,030	3.27
Total Assessed Value	<u>\$5,381,556,070</u>	<u>99.57</u>	<u>\$5,421,483,410</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 2.45</u>		<u>\$ 2.45</u>	

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by writing to the School Employees Retirement System, 300 E. Broad St., Suite 100, Columbus, Ohio 43215-3746 or on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$ 300,089, \$ 345,797, and \$ 343,216, respectively. 97 percent has been contributed for 2014 and 100 percent has been contributed for 2013 and 2012.

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org) under Publications.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11 percent of covered payroll for members and 14 percent for employers. The District's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2014, 2013, and 2012, were \$ 1,199,036, \$ 1,277,960, and \$ 1,354,793, respectively. 84 percent has been contributed for 2014 and 100 percent has been contributed for 2013 and 2012.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Postemployment Benefits

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

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$ 104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The District's contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were \$ 15,862, \$ 18,278, and \$ 18,632, respectively; 97 percent has been contributed for 2014 and 100 percent has been contributed for 2013 and 2012.

Health Care Plan

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

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides 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 2014, the minimum compensation level was established at \$ 20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012, were \$ 3,430, \$ 3,952, and \$ 35,057, respectively; 97 percent has been contributed for 2014 and 100 percent has been contributed for 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

B. STATE TEACHERS RETIREMENT SYSTEM OF OHIO (STRS OHIO)

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013, and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$ 92,234, \$ 98,305, and \$ 104,215, respectively; 84 percent has been contributed for 2014 and 100 percent has been contributed for 2013 and 2012.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 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 \$50,000. These bonds are with Travelers Casualty and Surety Company of America.

For fiscal year 2014, the 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.

NOTE 15 - CONTINGENCIES

A. GRANTS

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 16 - SET-ASIDE

The District is required by State statute to annually set aside, in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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 2014.

	Capital Maintenance
Balance, July 1, 2013	\$ -
Required set aside	194,403
Qualifying expenditures	(539,680)
Balance, June 30, 2014	\$ (345,277)
Balance carried forward to fiscal year 2014	\$ -

Although the 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.

NOTE 17 - OPERATING LEASE

The 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 District's general long-term debt. During 2014, expenditures for the operating lease totaled \$ 33,802.

	Year ending June 30,	Amount
	2015	\$ 33,802
	2016	33,802
	2017	5,634
Total minimum lease payments		\$ 73,238

NOTE 18 - SUBSEQUENT EVENTS

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

**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT**

Federal Awards Expenditures Schedule

For the Year Ended June 30, 2014

Federal Grantor/Program Title	CFDA Number	Receipts Recognized	Program Expenditures
<u><i>U.S. Department of Education</i></u>			
Student Financial Assistance Cluster:			
Direct assistance:			
Pell Grant	84.063	\$ 233,804	\$ 233,804
Federal Direct Student Loans	84.268	130,619	130,619
		<hr/>	<hr/>
Total U.S. Department of Education Direct Assistance		364,423	364,423
Passed through Ohio Department of Education:			
Vocational Education Basic Grant to States (Adult) FY2014	84.048	219,504	294,866
Vocational Education Basic Grant to States (Secondary) FY2013	84.048	29,959	53,859
Vocational Education Basic Grant to States (Secondary) FY2014	84.048	377,524	409,135
		<hr/>	<hr/>
Total Vocational Education Basic Grants to States		626,987	757,860
Improving Teacher Quality, Title II-A -FY2013	84.367	6,868	200
Improving Teacher Quality, Title II-A -FY2014	84.367	4,360	4,369
		<hr/>	<hr/>
Total Improving Teacher Quality, Title II-A		11,228	4,569
		<hr/>	<hr/>
Total Passed-Through Ohio Department of Education		638,215	762,429
		<hr/>	<hr/>
Total US Department of Education		1,002,638	1,126,852
<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	127,784	127,784
School Breakfast Program	10.553	28,861	28,861
Direct Program			
Non-Cash Assistance: National School Lunch (Food Distribution)	10.555	17,542	17,542
		<hr/>	<hr/>
Total Nutrition Cluster		174,187	174,187
Passed through Ohio Department of Education:			
National School Lunch & Breakfast Expansion Grant	10.560	-	2,290
Farm to School Grant	10.575	-	874
		<hr/>	<hr/>
Total US Department of Agriculture		174,187	177,351
		<hr/>	<hr/>
<u><i>National Aeronautics and Space Administration Direct Assistance</i></u>			
NASA Cooperative Grant	43.xxx	-	10,798
		<hr/>	<hr/>
Total Federal Awards		\$ 1,176,825	\$ 1,315,001
		<hr/>	<hr/>

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, 2014**

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, 2014, the District had immaterial food commodities in inventory.

**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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2014.

***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 opinions 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.***  
December 17, 2014

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

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**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, 2014. The *Summary of Audit 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 programs.

***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, 2014.

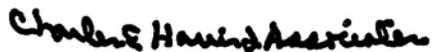
***Report on Internal Control Over Compliance***

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 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.***  
December 17, 2014

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

**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
LORAIN COUNTY  
June 30, 2014**

**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, 2014**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2013, reported no material citations or recommendations.



# 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  
APRIL 2, 2015