

Lorain County Joint Vocational School District

**Basic Financial Statements
June 30, 2009**



Mary Taylor, CPA
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 Ciuni & Panichi, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 11, 2010

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Lorain County Joint Vocational School District

For The Year Ended June 30, 2009

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Independent Auditors' Report

Board of Education
Lorain County Joint Vocational School District
Oberlin, Ohio

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 (the "District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As described in Note 4 to the financial statements, during the year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Lorain County Joint Vocational School District

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

Cini & Panichi, Inc.

Cleveland, Ohio
December 15, 2009

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

As management of the Lorain County Joint Vocational School (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, 2009. 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, 2009. 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 2009 are as follows:

- In total, net assets decreased \$ 106,864 in the governmental activities.
- General revenues accounted for \$ 20,010,802 in revenue or 85.1 percent of total revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$ 3,500,293 or 14.9 percent of total revenues of \$ 23,511,095.
- The District had \$ 23,617,959 in expenses related to governmental activities; only \$ 3,500,293 of these expenses were offset by program specific charges for services, operating grants or contributions. General revenues (primarily grants, entitlements and property taxes) of \$ 20,010,802 were used to provide for these programs along with cash balances from prior years.

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 Assets* 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 fund for the District is the general fund.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during 2009?"

The *Statement of Net Assets* 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* and *liabilities* 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 assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position 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 Assets 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 fund begins on page 14. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's major fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund 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 Assets 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

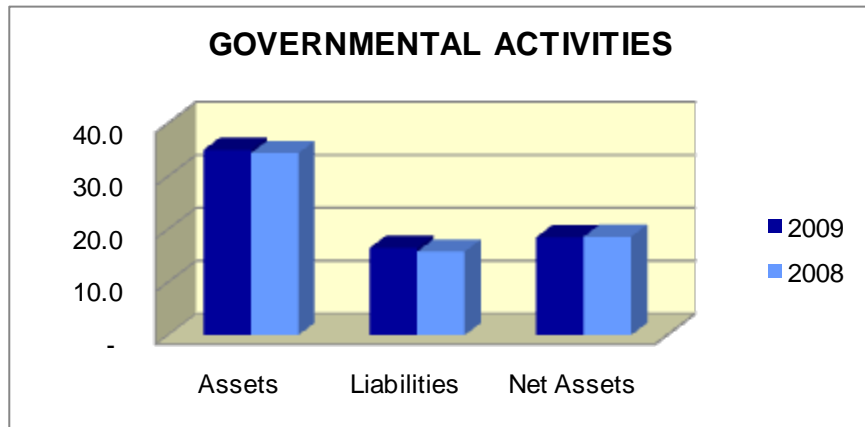
The District as a Whole

Table 1 provides a summary of the District's net assets for 2009 compared to 2008:

(Table 1)
Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Assets			
Current and other assets	\$ 24,780,017	\$ 25,254,819	\$ (474,802)
Total capital assets, net	<u>10,260,128</u>	<u>9,126,332</u>	<u>1,133,796</u>
Total assets	<u>35,040,145</u>	<u>34,381,151</u>	<u>658,994</u>
Liabilities			
Current liabilities	13,595,333	12,959,327	636,006
Long term liabilities			
Due within one year	345,649	410,180	(64,531)
Due in more than one year	<u>2,581,660</u>	<u>2,387,277</u>	<u>194,383</u>
Total liabilities	<u>16,522,642</u>	<u>15,756,784</u>	<u>765,858</u>
Net assets			
Invested in capital assets, net of related debt	10,260,128	9,126,332	1,133,796
Restricted	2,725,909	3,164,932	(439,023)
Unrestricted	<u>5,531,466</u>	<u>6,333,103</u>	<u>(801,637)</u>
Total net assets	<u>\$ 18,517,503</u>	<u>\$ 18,624,367</u>	<u>\$ (106,864)</u>

Total assets increased by \$ 658,994. This was primarily due to an increase in capital assets with offsetting decrease in equity in pooled cash. Total liabilities increased \$ 765,858 mainly because of increases in unearned revenue and long term liabilities and decreases in accounts payable.



LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

Table 2 shows the changes in net assets for fiscal year 2009 as compared to fiscal year 2008.

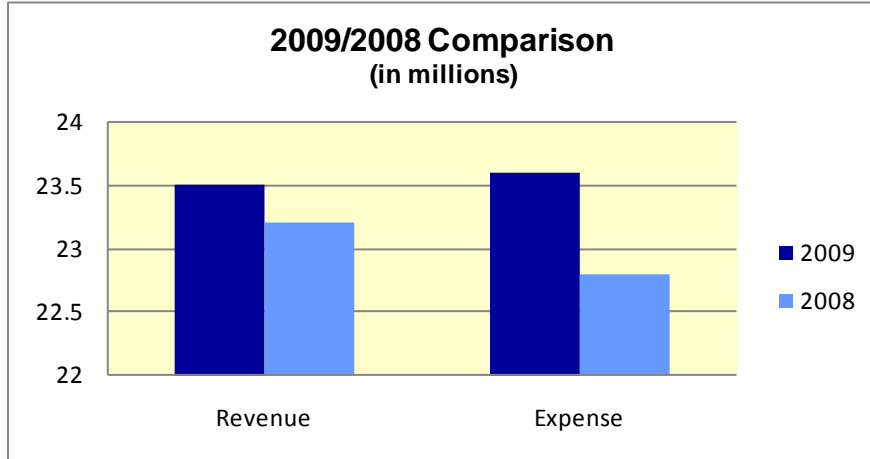
(Table 2)
Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenues			
Program revenues			
Charges for services and sales	\$ 1,727,493	\$ 1,575,364	\$ 152,129
Operating grants, interest and contributions	1,772,800	1,549,980	222,820
Total program revenues	<u>3,500,293</u>	<u>3,125,344</u>	<u>374,949</u>
General revenues			
Property taxes	10,311,070	10,093,707	217,363
Grants and entitlements not restricted to specific purposes	9,149,214	8,879,134	270,080
Investment earnings	257,633	573,481	(315,848)
Miscellaneous	292,885	527,991	(235,106)
Total general revenues	<u>20,010,802</u>	<u>20,074,313</u>	<u>(63,511)</u>
Total revenues	<u>23,511,095</u>	<u>23,199,657</u>	<u>311,438</u>
Program expenses			
Instruction			
Regular	1,832,623	1,919,304	(86,681)
Special	4,203	55,794	(51,591)
Vocational	10,225,877	9,686,900	538,977
Adult/continuing	1,459,835	1,623,151	(163,316)
Supporting services			
Pupil	1,527,388	1,431,963	95,425
Instructional staff	1,856,342	1,595,668	260,674
Board of education	41,298	23,537	17,761
Administration	1,645,989	1,615,697	30,292
Fiscal services	731,671	711,713	19,958
Business	157,934	123,722	34,212
Operation and maintenance	2,903,125	3,031,757	(128,632)
Pupil transportation	62,537	67,101	(4,564)
Central services	426,670	292,928	133,742
Operation of non-instructional Extracurricular activities	436,342	327,773	108,569
	306,125	267,786	38,339
Total expenses	<u>23,617,959</u>	<u>22,774,794</u>	<u>843,165</u>
Change in net assets	(106,864)	424,863	(531,727)
Net assets at beginning of year	<u>18,624,367</u>	<u>18,199,504</u>	<u>424,863</u>
Net assets at end of year	<u>\$ 18,517,503</u>	<u>\$ 18,624,367</u>	<u>\$ (106,864)</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

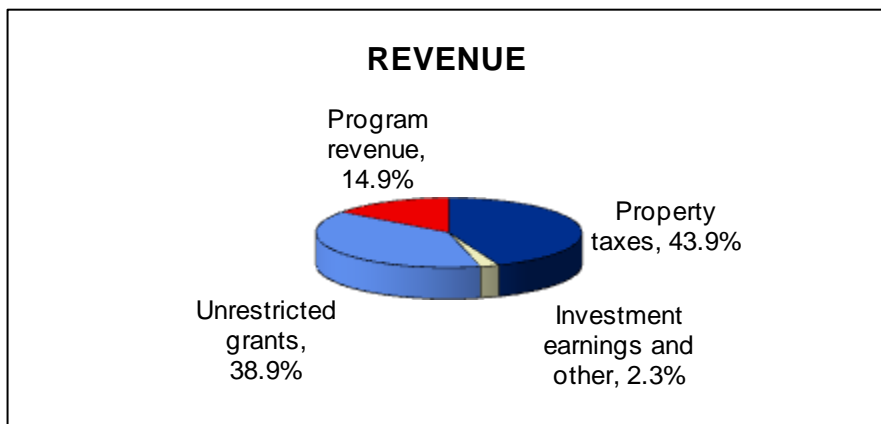
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited



Governmental Activities

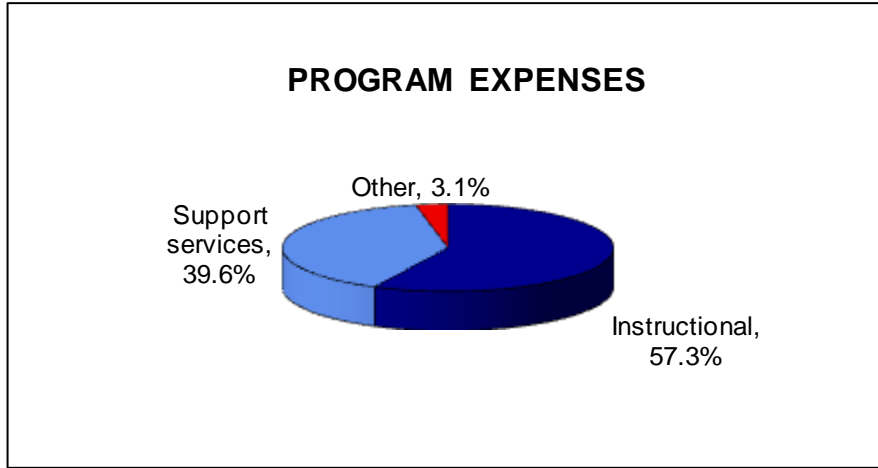
Several revenue sources fund our governmental activities with property taxes being the largest contributor; \$ 10,311,070 or 43.9 percent. Grants and entitlements not restricted to a specific program of \$ 9,149,214 made up 38.9 percent of revenues for governmental activities of the District for fiscal year 2009. The remaining amounts of revenue were in the form of program revenues, which equated to \$ 3,500,293 or 14.9 percent of total revenue and investment earning and miscellaneous revenues of \$ 505,518 or 2.3 percent.



LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
Unaudited

Instruction expenses comprise \$ 13,522,538 or 57.3 percent of governmental program expenses. Support services expenses make up \$9,352,954 or 39.6 percent of governmental expenses. Other expenses totaled \$ 742,467 or 3.1 percent of governmental expenses.



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

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program expenses		
Instruction		
Regular	\$ 1,832,623	\$ (1,832,623)
Special	4,203	(4,203)
Vocational	10,225,877	(9,481,886)
Adult education	1,459,835	266,528
Supporting services		
Pupil	1,527,388	(1,169,089)
Instructional staff	1,856,342	(1,720,331)
Board of education	41,298	(41,298)
Administration	1,645,989	(1,640,989)
Fiscal services	731,671	(731,671)
Business	157,934	(157,934)
Operation and maintenance	2,903,125	(2,903,125)
Pupil transportation	62,537	(62,537)
Central services	426,670	(423,670)
Operation of non-instructional	436,342	91,287
Extracurricular activities	306,125	(306,125)
Total expenses	<u><u>\$ 23,617,959</u></u>	<u><u>\$(20,117,666)</u></u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

The District's Funds

Information about the District's major fund, the General Fund, starts on page 14. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$ 24,348,991 and expenditures and other financing uses of \$ 25,417,972. The net change in fund balance for the year was most significant in the general fund, a decrease of \$ 795,322 and the other governmental funds had a decrease of \$ 273,659. These changes were primarily due to a \$ 409,073 decrease in revenue and an increase of \$ 2,002,591 in expenditures. The decrease in revenue is primarily due to drops in interest rates from a year ago and a decrease in Tangible Personal Property collections. Expenditures in all aspects of the District naturally increase with inflation; however the District had renovated several labs during the course of this fiscal year contributing to the majority of the increase in expenditures.

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 2009, 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, budget basis revenue of \$ 20,600,000 was amended from the original budget of \$ 21,932,938 during fiscal year 2009. The \$ 1,332,938 difference was due to conservative tax estimates.

The original appropriations of \$ 25,519,000 were increased to the final budget \$ 25,599,000. Expenditures, however, were only \$ 21,927,002 or \$ 3,671,998 less than anticipated due to surplus appropriations and frugal spending, in regular and vocational instruction, pupil services, administrative, and plant operation and maintenance, extracurricular costs, and capital outlay.

The District's ending unobligated budgetary fund balance of \$ 7,765,676 was \$ 4,196,554 above the final budgeted amount of \$ 3,569,122.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Unaudited

Capital Assets

At the end of fiscal year 2009, at historical cost, the District had \$ 25,386,466 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, vehicles, and infrastructure as compared to \$ 23,944,053 in 2008; all of which was related to governmental activities. Table 4 shows fiscal year 2009 net balances compared to 2008:

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

	<u>2009</u>	<u>2008</u>
Land	\$ 138,000	\$ 138,000
Construction in process	366,746	499,094
Land improvements	63,534	67,768
Building and improvements	6,300,846	5,462,134
Furniture and equipment	2,001,414	1,694,462
Vehicles	222,793	55,889
Infrastructure	1,166,795	1,208,985
Total capital assets	<u>\$ 10,260,128</u>	<u>\$ 9,126,332</u>

Net capital assets increased \$ 1,133,796 from the prior year. This was primarily due to increases in building and improvements, furniture and equipment, and vehicles for use in vocational education.

For more information on capital assets, refer to the notes to the basic financial statements (See Note 9).

Current Issues

The District is financially stable and has been over the past decade. The District is very proud of the fact that only one additional operating levy has been needed since the District began operations in 1971. Sound fiscal policy and strong leadership has combined with favorable community support to make the District one of Ohio's best vocational schools.

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.

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LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities
Assets	
Equity in pooled cash	\$ 12,158,207
Accounts receivable	94,714
Accrued interest	3,820
Due from other governments	1,104,437
Inventory	134,119
Taxes receivable	11,284,720
Capital assets:	
Nondepreciable capital assets	504,746
Depreciable capital assets, net	9,755,382
Total assets	35,040,145
 Liabilities	
Accounts and contracts payable	384,933
Accrued salaries, wages and benefits	2,042,279
Due to other governments	155,672
Unearned revenue	11,012,449
Long term liabilities:	
Due within one year	345,649
Due in more than one year	2,581,660
Total liabilities	16,522,642
 Net assets	
Invested in capital assets, net of related debt	10,260,128
Restricted for:	
Capital projects	2,306,630
Other purposes	419,279
Unrestricted	5,531,466
Total net assets	\$ 18,517,503

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, 2009

		Program Revenues		Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants Interest and Contributions	Revenue and Changes in Net Assets
Governmental activities				
Instruction				
Regular	\$ 1,832,623	\$ -	\$ -	\$ (1,832,623)
Special	4,203	-	-	(4,203)
Vocational	10,225,877	443,991	300,000	(9,481,886)
Adult education	1,459,835	1,196,573	529,790	266,528
Supporting services				
Pupil	1,527,388	-	358,299	(1,169,089)
Instructional staff	1,856,342	-	136,011	(1,720,331)
Board of education	41,298	-	-	(41,298)
Administration	1,645,989	-	5,000	(1,640,989)
Fiscal services	731,671	-	-	(731,671)
Business	157,934	-	-	(157,934)
Operation and maintenance	2,903,125	-	-	(2,903,125)
Pupil transportation	62,537	-	-	(62,537)
Central services	426,670	-	3,000	(423,670)
Operation of non-instructional	436,342	86,929	440,700	91,287
Extracurricular activities	306,125	-	-	(306,125)
Totals	\$ 23,617,959	\$ 1,727,493	\$ 1,772,800	(20,117,666)
General revenues:				
Property taxes levied for:				
General purpose				10,311,070
Grants and entitlements not restricted to specific purposes				9,149,214
Investment earnings				257,633
Miscellaneous				292,885
Total general revenues				20,010,802
Change in net assets				
Change in net assets				(106,864)
Net assets at beginning of year				18,624,367
Net assets at end of year				\$ 18,517,503

See the accompanying notes to the Basic Financial Statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash	\$ 8,128,749	\$ 4,029,458	\$ 12,158,207
Receivables, net of allowance			
Taxes, current	10,875,444	-	10,875,444
Taxes, delinquent	409,276	-	409,276
Accounts and other	-	94,714	94,714
Accrued interest	3,820	-	3,820
Due from other governments	977,340	127,097	1,104,437
Interfund receivable	159,230	-	159,230
Inventory	16,000	118,119	134,119
Total assets	\$ 20,569,859	\$ 4,369,388	\$ 24,939,247
Liabilities and fund balances			
Liabilities			
Accounts and contracts payable	\$ 129,550	\$ 255,383	\$ 384,933
Accrued salaries, wages and benefits	1,923,195	119,084	2,042,279
Due to other governments	145,389	10,283	155,672
Interfund payable	-	159,230	159,230
Unearned revenue	11,421,725	45,942	11,467,667
Compensated absences	188,360	7,600	195,960
Total liabilities	13,808,219	597,522	14,405,741
Fund balances			
Reserved for property taxes	789,934	-	789,934
Reserved for inventory	16,000	118,119	134,119
Reserved for encumbrances	232,524	616,417	848,941
Unreserved, reported in			
General Fund	5,723,182	-	5,723,182
Special Revenue Funds	-	1,293,787	1,293,787
Capital Projects Funds	-	1,743,543	1,743,543
Total fund balances	6,761,640	3,771,866	10,533,506
Total liabilities and fund balances	\$ 20,569,859	\$ 4,369,388	\$ 24,939,247

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 ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental funds balances		\$ 10,533,506
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		10,260,128
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 409,275	
Due from other governments	<u>45,943</u>	
		455,218
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		<u>(2,731,349)</u>
Net assets of governmental activities		<u><u>\$ 18,517,503</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, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 10,244,024	\$ -	\$ 10,244,024
Tuition and fees	139,795	1,172,692	1,312,487
Interest	276,978	-	276,978
Intergovernmental	9,290,821	1,691,790	10,982,611
Charges for services	-	18,810	18,810
Other	546,291	142,790	689,081
Total revenues	20,497,909	3,026,082	23,523,991
Expenditures			
Current			
Instruction			
Regular	1,805,390	-	1,805,390
Special	4,203	-	4,203
Vocational	10,002,572	288,607	10,291,179
Adult education	-	1,444,933	1,444,933
Supporting services			
Pupil	1,163,836	353,312	1,517,148
Instructional staff	1,588,862	204,032	1,792,894
Board of education	41,298	-	41,298
Administration	1,453,748	227,505	1,681,253
Fiscal services	735,609	-	735,609
Business	153,414	-	153,414
Operation and maintenance	2,627,901	1,167,830	3,795,731
Pupil transportation	60,305	-	60,305
Central services	345,085	79,686	424,771
Operation of non-instructional			
Food service operation	72,074	-	72,074
Community services	-	358,836	358,836
Extracurricular activities	306,125	-	306,125
Capital outlay	57,809	-	57,809
Total expenditures	20,418,231	4,124,741	24,542,972
Excess (deficiency) of revenues over expenditures	79,678	(1,098,659)	(1,018,981)
Other financing sources (uses)			
Transfers-in	-	825,000	825,000
Other miscellaneous use of funds	(50,000)	-	(50,000)
Transfers-out	(825,000)	-	(825,000)
Total other financing sources (uses)	(875,000)	825,000	(50,000)
Net change in fund balances	(795,322)	(273,659)	(1,068,981)
Fund balances, beginning of year	7,556,962	4,045,525	11,602,487
Fund balances, end of year	\$ 6,761,640	\$ 3,771,866	\$ 10,533,506

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, 2009

Net change in fund balances - total governmental funds \$ (1,068,981)

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 outlays in the current period.

	Capital outlay	\$ 1,839,482	
	Disposals	(121,706)	
	Depreciation expense	<u>(583,980)</u>	
			1,133,796

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

	Property taxes	67,046	
	Accrued interest receivable	(19,345)	
	Due from other governments	<u>(60,597)</u>	
			(12,896)

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.

(158,783)

Change in net assets of governmental activities

\$ (106,864)

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue and other financing sources	\$ 21,932,938	\$ 20,600,000	\$ 21,124,556	\$ 524,556
Expenditures and other financing uses	25,519,000	25,599,000	21,927,002	3,671,998
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,586,062)	(4,999,000)	(802,446)	4,196,554
Fund balances, beginning of year	7,962,100	7,962,100	7,962,100	-
Prior year encumbrances	606,022	606,022	606,022	-
Fund balances, end of year	<u>\$ 4,982,060</u>	<u>\$ 3,569,122</u>	<u>\$ 7,765,676</u>	<u>\$ 4,196,554</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, 2009

Assets	
Equity in pooled cash	<u>\$ 53,532</u>
Total assets	<u>\$ 53,532</u>
Liabilities	
Accounts payable	\$ 655
Due to students	<u>52,877</u>
Total liabilities	<u>\$ 53,532</u>

See the accompanying notes to the Basic Financial Statements.

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LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - 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, 2008 was 1,191. The District employs 139 certificated and 53 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 Lake Erie Educational Computer Association (LEECA) and Lake Erie Regional Council (LERC), which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Notes 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. BASIS OF PRESENTATION

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

The statement of net assets 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 assets 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. The internal service fund is included in the proprietary fund financial statements in a single column.

B. FUND ACCOUNTING

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

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 are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following 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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income (loss), changes in net assets, financial position and cash flow. Proprietary funds are classified as enterprise or internal services. The District has no enterprise or internal service funds.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. 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.

C. MEASUREMENT FOCUS

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

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The statement of cash flow provides information about how the District finances and meets the cash flow needs of its proprietary activities.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS (continued)

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

D. 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 proprietary and 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 revenue, 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, 2009 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 Revenue

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

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

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

E. 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 assets (See Note 8).

F. RESTRICTED ASSETS

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

G. 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.

H. CAPITAL ASSETS

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are 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, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CAPITAL ASSETS (continued)

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

<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

I. 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, 2009. 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 (See Note 10).

J. 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, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported in the proprietary fund financial statements, as applicable.

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 and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. FUND BALANCE RESERVES

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, and inventory.

The reserve for property taxes represents taxes recognized as revenue under GAAP but not available for appropriation under State statute for fiscal year 2009. The reserve for inventory represents assets that are not available to be spent against future obligations.

L. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$ 2,725,909 of restricted net assets, of which \$ 419,279 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 assets are available.

M. 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. Transfers between governmental activities on the Statement of Activities are eliminated. Interfund transfers are reported as other financing sources/uses in governmental funds and other nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 5).

Q. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of 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 "Cash and Cash Equivalents" on the financial statements. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAROhio) or other short term investments. STAROhio is an investment pool managed by the State Treasurer's Office of Ohio. Governments within the State are allowed to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at its share price on June 30, 2009. 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, 2009 totaled \$ 276,978, which includes \$ 91,403 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. STAROhio is reported at the share price which the investment could have been sold for on June 30, 2009. (See Note 6).

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 3 - DEFICIT FUND BALANCE

At June 30, 2009, the Perkins Fund had a deficit fund balance of \$ 47,157. The General Fund is liable for deficits 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 4 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments" and GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. The implementation of this Statement did not result in any change to the District's financial statements. GASB 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments which includes permanent and term endowments and permanent funds. The District does not currently have these types of funds. GASB 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. Per Ohio Revised Code (ORC) the District is prohibited from investing in this type of instrument.

NOTE 5 - 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 include July 1, 2008 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 final amended appropriations. Appropriations may not exceed estimated resources and expenditures plus encumbrances may not exceed appropriations at the fund level.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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 reservations of fund balance for subsequent year expenditures.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP Basis).
2. Expenditures are recorded when paid in cash (budget basis) rather than when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than a reservation of fund balance for governmental funds.

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	\$ (802,446)
Adjustments, increase (decrease)	
Revenue accruals	(626,647)
Expenditure accruals	633,771
GAAP basis, as reported	\$ (795,322)

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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.

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 one year 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. No-load money market mutual funds consisting exclusively of obligations described in division (1) 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.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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 \$ 5,325,477 and the bank balance was \$ 5,624,428. Of the bank balance, \$ 254,003 was covered by federal depository insurance. The remainder was collateralized with securities held by the pledging financial institution, or its trust department or agent in the District's name. Although there are securities serving as collateral held by the pledging financial institution's trust department or agent in the District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution 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 School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than two years.

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

Credit Risk - STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Concentrations of Credit Risk - The School District places no limit on the amount it may invest in any one issuer. As of June 30, 2009, the District had the following investments:

	<u>Maturities (Yrs)</u>	<u>Fair Value</u>
Investment in State Treasurer's Investment Pool	n/a	\$ 6,886,262

STAROhio carries a rating of AAAM by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 7 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATION COMPUTER ASSOCIATION (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization 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 schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA 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 school districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County which serves as fiscal agent at 1885 Lake Avenue, Elyria, Ohio.

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 2009, the District paid approximately \$2,426,355 to LEECA and 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 2009 the District paid \$ 347,705 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
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 8 - INTERFUND TRANSACTIONS

A. TRANSFERS

The general fund reported transfers out of \$800,000 to the capital projects fund and \$ 25,000 to the adult education fund at June 30, 2009. The transfers represent the monies provided by the general fund to help support future capital projects and the adult education programs in the District.

B. 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, 2009, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General	\$ 159,230	\$ -
Non major Funds		
Job Training/Career Development	-	75,066
ABLE	-	36,422
Adult Full Service		1,800
Federal Vocational Education	-	45,942
Total	\$ 159,230	\$ 159,230

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 138,000	\$ -	\$ -	\$ 138,000
Construction in progress	499,094	366,746	499,094	366,746
Total nondepreciable capital assets	<u>637,094</u>	<u>366,746</u>	<u>499,094</u>	<u>504,746</u>
Depreciable capital assets				
Land improvements	1,019,559	-	-	1,019,559
Buildings and improvements	15,611,112	1,106,982	-	16,718,094
Furniture, fixtures and equipment	4,931,447	666,957	309,594	5,288,810
Vehicles	461,103	197,891	87,475	571,519
Infrastructure	1,283,738	-	-	1,283,738
Total capital assets being depreciated	<u>23,306,959</u>	<u>1,971,830</u>	<u>397,069</u>	<u>24,881,720</u>
Less accumulated depreciation				
Land improvements	(951,791)	(4,234)	-	(956,025)
Buildings and improvements	(10,148,978)	(268,270)	-	(10,417,248)
Furniture, fixtures and equipment	(3,236,985)	(238,299)	187,888	(3,287,396)
Vehicles	(405,214)	(30,987)	87,475	(348,726)
Infrastructure	(74,753)	(42,190)	-	(116,943)
Total accumulated depreciation	<u>(14,817,721)</u>	<u>(583,980)</u>	<u>275,363</u>	<u>(15,126,338)</u>
Depreciable capital assets, net of accumulated depreciation	<u>8,489,238</u>	<u>1,387,850</u>	<u>121,706</u>	<u>9,755,382</u>
Governmental activities capital assets, net	<u>\$ 9,126,332</u>	<u>\$ 1,754,596</u>	<u>\$ 620,800</u>	<u>\$ 10,260,128</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 1,832
Vocational education	310,894
Adult education	445
Supporting services	
Pupil	377
Instructional staff	10,313
Administration	2,666
Fiscal	1,583
Business	3,244
Operation and maintenance of plant	234,036
Pupil transportation	14,232
Operation of noninstruction services	
Community service	4,358
Total depreciation expense	<u>\$ 583,980</u>

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Outstanding June 30, 2008	Additions	Retired	Outstanding June 30, 2009	Amounts Due In One Year
Compensated absences	\$ 2,797,457	\$ 339,238	\$ 209,386	\$ 2,927,309	\$ 345,649

The compensated absences will be repaid from the funds which employees' salaries are paid. Refer to Note 2, for additional information related to compensated absences.

NOTE 11 - PROPERTY TAXES

Property taxes include amounts levied annually, on all real and public utility property and business tangible personal property which is located within the District. The Lorain County Auditor is responsible for assessing and remitting these property taxes to the District. The Lorain County Treasurer is responsible for collecting property taxes.

Real property taxes collected were based on assessed value equal to thirty-five percent (35%) of appraised value. The Lorain County Auditor reappraises real property every six years with a triennial update, the last update was completed for 2009. Real property taxes are levied on assessed valuations as of December 31, which is the lien date. Real property taxes, billed one year in arrears, are payable annually or semi-annually. The first payment is due January 20, and the remainder is payable by June 20.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2008, on the value as of December 31, 2008. This was reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 District prior to June 30.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility real property is assessed at thirty-five percent (35%) of true value; public utility tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, 2009, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2009. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2009, was \$ 789,934 in the General Fund and is recognized as revenue.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 11 - PROPERTY TAXES (continued)

Since Lorain County assesses and levies property taxes on a calendar basis, the District receives property taxes from two (2) taxing years during the District's fiscal year.

The assessed values of real and tangible personal property, upon which property tax receipts for the Fiscal Year Ended June 30, 2009 were based, are as follows:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	%	Amount	%
Agricultural/Residential	\$4,644,384,620	78.39	\$4,782,055,538	79.77
Commercial / Industrial	992,649,750	16.76	1,018,115,370	16.98
Public Utilities	186,267,540	3.14	189,322,950	3.16
Tangible Personal Property	101,191,981	1.71	5,426,863	0.09
Total Assessed Value	<u>\$5,924,493,891</u>	<u>100.00</u>	<u>\$5,994,920,721</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 School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for SERS for the years ended June 30, 2009, 2008, and 2007 were \$ 308,098, \$ 323,489, and \$ 223,045, respectively. The full amount has been contributed for 2008 and 2009. For 2009, \$ 274,559 (89%) has been contributed with the remainder being reflected as an intergovernmental payable.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, 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.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008, and 2007 were \$ 1,120,170, \$1,264,430, and \$ 1,156,270, respectively. The full amount has been contributed for all fiscal years.

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, 2009, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 2009 was \$ 96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$ 14,525, \$ 15,250, and \$ 14,349, respectively; 100 percent has been contributed for fiscal year for all fiscal years.

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.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$ 91,989, \$ 96,584, and \$ 70,058, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$ 86,167, \$97,264, and \$91,517, respectively; 100 percent has been contributed for all fiscal years.

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 Fitzgibbons Arnold Agency, Inc. which includes boiler coverage. The deductible is \$5,000 per incident. All vehicles are insured with Fitzgibbons Arnold Agency, Inc. and have a \$500 Collision deductible. All Board Members, Administrators and employees are covered under a school district liability policy with Indiana Insurance Company. The limits of this coverage are \$1,000,000 per occurrence and \$1,000,000 aggregate.

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.

The District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc., provides administrative, cost control and actuarial services to the GRP.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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.

NOTE 16 - SET-ASIDE

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbook	Capital Maintenance
Balance, July 1, 2008	\$ (1,668,383)	\$ -
Required set aside	200,123	200,123
Qualifying expenditures	(767,376)	(1,203,018)
Balance, June 30, 2009	\$ (2,235,636)	\$ (1,002,895)

Textbook expenditures exceeded the statutory requirements by \$2,235,636 which may be used to reduce the set aside requirements of future years. Capital maintenance expenditures have exceeded statutory requirements by \$ 1,002,895, which may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2009, the District has contractual commitments for the following projects:

	Contracted Amount	Expended	Remaining Liability
Avery House	\$ 195,619	\$ 91,967	\$ 103,652
2008 Pavement Improvements	214,920	204,781	10,139
Welding Lab Concrete Repair	24,542	21,611	2,931
Medical Tech Classroom	134,116	55,890	78,226
	\$ 569,197	\$ 374,249	\$ 194,948

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
Lorain County Joint Vocational School District
Oberlin, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain County Joint Vocational School District (the “District”), as of and for the year ended June 30, 2009, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 15, 2009, wherein we noted the District implemented GASB Statement No.’s 49, 52, and 53, as disclosed in Note 4. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District’s financial statements that is more than inconsequential will not be prevented or detected by the District’s internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District’s internal control.

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

Board of Education
Lorain County Joint Vocational School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, finance committee, management, Auditor of the State's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Panichi, Inc.

Cleveland, Ohio
December 15, 2009

**Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133**

Board of Education
Lorain County Joint Vocational School District
Oberlin, Ohio

Compliance

We have audited the compliance of the Lorain County Joint Vocational School District (the “District”), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District’s major federal program is identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2009, and have issued our report there on dated December 15, 2009, wherein we noted the District implemented GASB Statement No.'s 49, 52, and 53, as disclosed in Note 4.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the District's basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, finance committee, management, the Auditor of State's Office, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cimini & Paricchi, Inc.

Cleveland, Ohio
December 15, 2009

Lorain County Joint Vocational School District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Receipts	Disbursements
U.S. Department of Education:			
Direct assistance:			
Pell Grant	84.063	\$ 202,039	\$ 202,039
Total U.S. Department of Education Direct Assistance		<u>202,039</u>	<u>202,039</u>
U.S. Department of Education:			
Passed-Through Ohio Department of Education:			
Adult Basic Education State Grant Program	84.002	96,106	96,106
Vocational Education Basic Grants to States	84.048	<u>613,355</u>	<u>613,355</u>
Total Vocational Education Basic Grants to States		<u>709,461</u>	<u>709,461</u>
Safe and Drug Free Schools and Communities State Grants	84.186	2,438	2,438
Innovative Education Program Strategy, Title VI	84.298	2,480	2,480
Improving Teacher Quality, Title II-A	84.367	<u>3,104</u>	<u>3,104</u>
Total Passed-Through U.S. Department of Education		<u>717,483</u>	<u>717,483</u>
Total U.S Department of Education		<u>919,522</u>	<u>919,522</u>
National Aeronautics and Space Administration Direct Assistance NASA Cooperative Grant	N/A	<u>406,800</u>	<u>308,509</u>
Total Federal Awards Receipts and Expenditures		\$ <u>1,326,322</u>	\$ <u>1,228,031</u>

The accompanying notes are an integral part of this schedule

Lorain County Joint Vocational School District

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2009

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CFDA – Catalog of Federal Domestic Assistance

Lorain County Joint Vocational School District

Schedule Of Findings
OMB Circular A-133 Section .505

June 30, 2009

1. Summary of Auditors' Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .501?	No
(d)(1)(vii)	Major Programs	NASA Cooperative Grant - CFDA # N/A
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None.

3. Findings For Federal Awards

None.

Independent Accountants' Report on Applying Agreed-Upon procedures

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on May 15, 2008.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

Board of Education
Lorain County Joint Vocational School District

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 33 19.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the District administration semiannually provide the president of the District board a written summary of all reported incidents and post the summary on its web site, if the District has a web site, to the extent permitted by section 33 19.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Cini & Parichi, Inc.

Cleveland, Ohio
December 15, 2009



Mary Taylor, CPA
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
JANUARY 21, 2010**