



Dave Yost • Auditor of State

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Medina County Joint Vocational School District
Medina County
1101 West Liberty Street
Medina, Ohio 44256

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The District also restated its General Fund and Other Governmental Funds' fund balances due to fund-type reclassifications, and restated its Governmental Activities' net position due to capital asset accounting revisions. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

January 15, 2016

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Medina County Joint Vocational School District

Medina County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

(Unaudited)

The discussion and analysis of the Medina County Joint Vocational School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position increased \$1.6 million from 2014.
- Capital assets increased \$0.1 million during fiscal year 2015 from additions exceeding depreciation expense.
- The School District reclassified the enterprise funds to governmental funds for fiscal year 2015.
- The School District implemented GASB 68, which reduced beginning net position as previously reported by \$22.7 million. The School District had an asset appraisal performed which reduced previously reported net position by an additional \$1.5 million.

Using this Comprehensive Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting

Medina County Joint Vocational School District

Medina County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

(Unaudited)

takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Reporting the School District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 23. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Medina County Joint Vocational School District
Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Because of the discussion below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows of resources and subtracting deferred outflows of resources related to pension and the net pension liability to the reported net position. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities	
	2015	Restated 2014
Assets		
Current and Other Assets	\$ 22,998,731	\$ 21,403,699
Capital Assets	8,048,555	7,941,601
<i>Total Assets</i>	<u>31,047,286</u>	<u>29,345,300</u>
Deferred Outflows of Resources		
Pension	1,497,281	1,174,963
Liabilities		
Other Liabilities	2,071,088	1,476,187
Long-Term Liabilities:		
Due Within One Year	222,142	193,475
Due in More Than One Year		
Net Pension Liability	20,085,428	23,852,088
Other Amounts	1,354,678	1,537,673
<i>Total Liabilities</i>	<u>23,733,336</u>	<u>27,059,423</u>
Deferred Inflows of Resources		
Property Taxes Levied for Next Year	7,114,263	6,979,825
Pension	3,612,696	0
<i>Deferred Inflows of Resources</i>	<u>10,726,959</u>	<u>6,979,825</u>
Net Position		
Investment in Capital Assets	8,048,555	7,941,601
Restricted	1,345,449	647,368
Unrestricted	(11,309,732)	(12,107,954)
<i>Total Net Position</i>	<u>\$ (1,915,728)</u>	<u>\$ (3,518,985)</u>

Medina County Joint Vocational School District
Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

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

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

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

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

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

Medina County Joint Vocational School District
Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$19.2 million to a deficit of \$3.5 million.

At year end, capital assets represented 26 percent of total assets. Capital assets include, land, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets was \$8.0 million at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending.

A portion of the School District's net position, \$1.3 million represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of \$11.3 million, which is primarily caused by the implementation of GASB Statement No. 68.

Current and other assets increased \$1.6 million over fiscal year 2014 mainly in cash due to the timing of revenues to cover expenses.

Deferred outflows of resources increased \$0.3 million primarily due to differences in the pension plans' expected and actual expenses. Contracts payable of \$0.5 million accounts for the increase in other liabilities and the decrease in pension liability from fiscal year 2014 amounted to \$3.8 million. Deferred inflows related to pension increased due to the implementation of GASB 68.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Medina County Joint Vocational School District
Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2015	Restated 2014
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 1,192,155	\$ 1,148,397
Operating Grants and Contributions	779,377	772,037
<i>General Revenue:</i>		
Property Taxes	7,844,602	7,695,110
Grants and Entitlements not Restricted	7,639,128	7,584,166
Capital Grants Not Restricted	395,235	365,053
Payment in Lieu of Taxes	13,978	14,504
Other	259,766	119,375
Total Revenues	18,124,241	17,698,642
Program Expenses		
Instruction:		
Regular	3,217,753	2,913,791
Special	461,436	460,904
Vocational	5,040,903	4,973,668
Adult Continuing	615,736	661,429
Support Services:		
Pupils	1,650,478	1,757,513
Instructional Staff	751,045	563,929
Board of Education	40,820	32,457
Administration	1,760,965	1,988,305
Fiscal	607,353	566,876
Business	220,043	232,275
Operation and Maintenance of Plant	1,919,653	1,625,838
Pupil Transportation	31,939	41,046
Central	68,067	180,845
Operation of Non-Instructional Services	94,387	85,366
Extracurricular Activities	40,406	27,755
Total Expenses	16,520,984	16,111,997
Increase (Decrease) in Net Position	\$ 1,603,257	\$ 1,586,645

Medina County Joint Vocational School District
Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,174,963 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$832,706. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68		\$ 16,520,984
Pension expense under GASB 68		(832,706)
2015 contractually required contribution		1,308,988
Adjusted 2015 program expenses		16,997,266
Total 2014 program expenses under GASB 27		16,111,997
Increase in program expenses not related pension		\$ 885,269

Certain foundation payments for tuition were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

Total governmental revenues increased \$0.4 million over fiscal year 2014, partly due to a \$0.2 million refund of fees from the County. Expenses not related to pension increased \$0.9 million from 2014. Regular instruction increased more than \$0.3 million, in part, from annual increases and retirement payouts and operation and maintenance increased \$0.3 million due to paving and hot water tank and boiler replacements.

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.

Medina County Joint Vocational School District
Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Table 3
Governmental Activities

	Cost		Net Cost	
	2015	Restated 2014	2015	Restated 2014
Instruction:				
Regular	\$ 3,217,753	\$ 2,888,557	\$ 3,197,266	\$ 2,888,557
Special	461,436	460,904	461,436	460,904
Vocational	5,040,903	4,642,895	3,808,700	4,237,500
Adult Continuing	615,736	94,551	279,702	21,652
Support Services:				
Pupils	1,650,478	1,757,513	1,538,562	1,479,296
Instructional Staff	751,045	563,929	595,866	561,755
Board of Education	40,820	32,457	40,820	32,457
Administration	1,760,965	1,827,463	1,686,144	1,825,503
Fiscal	607,353	566,876	607,353	566,876
Business	220,043	232,275	220,043	232,275
Operation and Maintenance of Plant	1,919,653	1,621,427	1,916,900	1,621,427
Pupil Transportation	31,939	41,046	31,939	41,046
Central	68,067	175,833	63,568	174,033
Operation of Non-Instructional Services	94,387	54,775	77,978	54,775
Extracurricular Activities	40,406	27,755	23,175	10,682
Total Expenses	<u>\$16,520,984</u>	<u>\$14,988,256</u>	<u>\$ 14,549,452</u>	<u>\$ 14,208,738</u>

In fiscal year 2015, the enterprise funds were reclassified as governmental funds. Cost and net cost of programs for fiscal year 2014 were not updated to reflect the addition of the uniform school supplies, vocational and adult education funds.

The dependence upon general revenues for governmental activities is apparent. Over 88 percent of governmental activities are supported through taxes and other general revenues; such revenues are 89 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$18.1 million and expenditures of \$17.2 million for fiscal year 2015. The net change in fund balances for the fiscal year was an increase of \$0.9 million for all governmental funds.

Medina County Joint Vocational School District

Medina County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

(Unaudited)

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$0.8 million, which is 7 percent higher than fiscal year 2014. The School District received \$0.2 million in refunds of fees from the County along with a Bureau of Workers Compensation refund contributing to the \$0.4 increase in revenues over fiscal year 2014. Operation and maintenance expenditures increased more than \$0.6 million from fiscal year 2014 due to paving costs and hot water tank and boiler replacements.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue of \$15.8 million was higher than the final budget basis revenue by \$2,770. Original budget basis revenue of \$15.3 million was \$0.5 million lower than final budget basis revenue with taxes and intergovernmental revenues being originally estimated lower.

Final estimated appropriation expenditures of \$15.6 million were \$0.1 million higher than the actual expenditures of \$15.5 million, as cost savings were recognized throughout the year. Original budgeted appropriation expenditures were \$0.3 million higher than final estimates. Operation and maintenance expenditures were originally estimated lower; however, all other expenditures were expected to be slightly higher.

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Medina County Joint Vocational School District
Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Capital Assets

Capital Assets

During the year, the School District had capital assets re-evaluated by an appraisal firm. This resulted in the prior fiscal year balances to be restated. At the end of fiscal year 2015, the School District had \$8.0 million invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities	
	2015	Restated 2014
Land	\$ 794,096	\$ 794,096
Buildings and Improvements	6,835,197	6,710,425
Furniture and Equipment	413,322	428,764
Vehicles	5,940	8,316
Totals	\$ 8,048,555	\$ 7,941,601

The \$0.1 million increase in capital assets was attributable to acquisitions exceeding current depreciation. See Note 8 for more information about the capital assets of the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Aaron Butts, Treasurer of Medina County Joint Vocational School District, 1101 West Liberty Street, Medina, Ohio, 44256-3842.

Basic Statements

Medina County Joint Vocational School District
Medina County, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 14,560,919
Receivables:	
Accounts	31,802
Intergovernmental	365,251
Property Taxes	7,906,076
Inventory	134,683
Nondepreciable Capital Assets	794,096
Depreciable Capital Assets (Net)	7,254,459
<i>Total Assets</i>	31,047,286
Deferred Outflows of Resources	
Pension	1,497,281
Liabilities	
Accounts Payable	126,020
Accrued Wages and Benefits	1,128,583
Contracts Payable	478,120
Intergovernmental Payable	224,684
Retainage Payable	63,787
Accrued Vacation Leave Payable	49,894
Long Term Liabilities:	
Due Within One Year	222,142
Due In More Than One Year	
Net Pension Liability (See Note 11)	20,085,428
Other Amounts Due in More Than One Year	1,354,678
<i>Total Liabilities</i>	23,733,336
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	7,114,263
Pension	3,612,696
<i>Total Deferred Inflows of Resources</i>	10,726,959
Net Position	
Investment in Capital Assets	8,048,555
Restricted for:	
Capital Projects	590,990
Adult Education	632,088
Other Purposes	122,371
Unrestricted	(11,309,732)
Total Net Position	\$ (1,915,728)

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School District
Medina County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 3,217,753	\$ 20,487	\$ 0	\$ (3,197,266)
Special	461,436	0	0	(461,436)
Vocational	5,040,903	1,064,412	167,791	(3,808,700)
Adult Continuing	615,736	86,797	249,237	(279,702)
Support Services:				
Pupils	1,650,478	0	111,916	(1,538,562)
Instructional Staff	751,045	0	155,179	(595,866)
Board of Education	40,820	0	0	(40,820)
Administration	1,760,965	16,355	58,466	(1,686,144)
Fiscal	607,353	0	0	(607,353)
Business	220,043	0	0	(220,043)
Operation and Maintenance of Plant	1,919,653	525	2,228	(1,916,900)
Pupil Transportation	31,939	0	0	(31,939)
Central	68,067	514	3,985	(63,568)
Operation of Non-Instructional Services	94,387	3,065	13,344	(77,978)
Extracurricular Activities	40,406	0	17,231	(23,175)
Totals	\$ 16,520,984	\$ 1,192,155	\$ 779,377	(14,549,452)
General Revenues				
Property Taxes Levied for:				
				7,844,602
				7,639,128
				395,235
				13,978
				6,854
				252,912
				16,152,709
				1,603,257
				(3,518,985)
				\$ (1,915,728)

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School District
Medina County, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 13,353,890	\$ 1,207,029	\$ 14,560,919
Receivables:			
Accounts	30,421	1,381	31,802
Intergovernmental	49,270	315,981	365,251
Property Taxes	7,906,076	0	7,906,076
Inventory	134,683	0	134,683
<i>Total Assets</i>	<u>\$ 21,474,340</u>	<u>\$ 1,524,391</u>	<u>\$ 22,998,731</u>
Liabilities			
Accounts Payable	\$ 124,483	\$ 1,537	\$ 126,020
Accrued Wages and Benefits	1,093,274	35,309	1,128,583
Contracts Payable	393,635	84,485	478,120
Intergovernmental Payable	215,757	8,927	224,684
Retainage Payable	63,787	0	63,787
<i>Total Liabilities</i>	<u>1,890,936</u>	<u>130,258</u>	<u>2,021,194</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Fiscal Year	7,114,263	0	7,114,263
Unavailable Revenue - Delinquent Property Taxes	143,943	0	143,943
Unavailable Revenue - Other	49,270	224,155	273,425
<i>Total Deferred Inflows of Resources</i>	<u>7,307,476</u>	<u>224,155</u>	<u>7,531,631</u>
Fund Balances			
Nonspendable	134,683	0	134,683
Restricted	0	1,181,334	1,181,334
Assigned	331,451	0	331,451
Unassigned	11,809,794	(11,356)	11,798,438
<i>Total Fund Balances</i>	<u>12,275,928</u>	<u>1,169,978</u>	<u>13,445,906</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 21,474,340</u>	<u>\$ 1,524,391</u>	<u>\$ 22,998,731</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School District
Medina County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position - Governmental Activities
June 30, 2015

Total Governmental Fund Balances	\$	13,445,906
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		8,048,555
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
Intergovernmental	\$ 273,425	
Delinquent Property Taxes	143,943	417,368
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,497,281	
Deferred Inflows - Pension	(3,612,696)	
Net Pension Liability	(20,085,428)	(22,200,843)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.		
Compensated Absences	(1,552,257)	
Accrued Vacation Leave Payable	(49,894)	
SHC New Member Payable	(24,563)	(1,626,714)
Net Position of Governmental Activities	\$	(1,915,728)

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School District
Medina County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Local Taxes	\$ 7,883,389	\$ 0	\$ 7,883,389
Intergovernmental	7,589,858	1,149,516	8,739,374
Investment Income	6,854	0	6,854
Tuition and Fees	686,002	495,904	1,181,906
Rentals	2,590	0	2,590
Charges for Services	1,127	21,622	22,749
Contributions and Donations	326	17,232	17,558
Payment in Lieu of Taxes	13,978	0	13,978
Miscellaneous	235,889	1,932	237,821
<i>Total Revenues</i>	<u>16,420,013</u>	<u>1,686,206</u>	<u>18,106,219</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,056,621	0	3,056,621
Special	459,191	0	459,191
Vocational	5,097,765	176,610	5,274,375
Adult Continuing	27,620	601,246	628,866
Support Services:			
Pupils	1,631,280	110,672	1,741,952
Instructional Staff	561,962	151,745	713,707
Board of Education	41,771	0	41,771
Administration	1,575,015	159,381	1,734,396
Fiscal	619,974	0	619,974
Business	231,453	0	231,453
Operation and Maintenance of Plant	2,140,301	90,864	2,231,165
Pupil Transportation	30,412	0	30,412
Central	56,620	7,757	64,377
Operation of Non-Instructional Services	56,245	35,488	91,733
Extracurricular Activities	18,615	21,791	40,406
Capital Outlay	39,061	250,134	289,195
<i>Total Expenditures</i>	<u>15,643,906</u>	<u>1,605,688</u>	<u>17,249,594</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>776,107</u>	<u>80,518</u>	<u>856,625</u>
Other Financing Sources (Uses):			
Proceeds from Sales of Capital Assets	2,883	0	2,883
<i>Net Change in Fund Balance</i>	778,990	80,518	859,508
<i>Fund Balance (Deficit) at Beginning of Year</i> <i>Restated, See Note 2R</i>	<u>11,496,938</u>	<u>1,089,460</u>	<u>12,586,398</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 12,275,928</u>	<u>\$ 1,169,978</u>	<u>\$ 13,445,906</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School District
Medina County, Ohio
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	859,508
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 626,858	
Current Year Depreciation	<u>(519,904)</u>	106,954
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	56,809	
Delinquent Property Taxes	<u>(38,787)</u>	18,022
 Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,308,988
 Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(832,706)
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in the governmental funds.		
SHC New Member Payable	63,862	
Compensated Absences	90,466	
Vacation Benefits Payable	<u>(11,837)</u>	142,491
 Change in Net Position of Governmental Activities	 \$	 <u>1,603,257</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School District
Medina County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$ 7,655,108	\$ 7,852,827	\$ 7,852,827	\$ 0
Intergovernmental	7,573,309	7,871,083	7,871,083	0
Investment Income	5,661	6,189	6,854	665
Tuition and Fees	32,527	45,626	45,626	0
Rentals	1,873	2,590	2,590	0
Charges for Services	299	1,127	1,127	0
Payment in Lieu of Taxes	14,033	13,978	13,978	0
Miscellaneous	33,991	25,444	27,549	2,105
<i>Total Revenues</i>	<u>15,316,801</u>	<u>15,818,864</u>	<u>15,821,634</u>	<u>2,770</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,990,596	2,964,074	3,024,696	(60,622)
Special	493,832	451,989	457,667	(5,678)
Vocational	5,205,953	4,887,963	4,876,986	10,977
Adult/Continuing	37,191	29,635	29,570	65
Support Services:				
Pupils	1,799,068	1,662,754	1,613,818	48,936
Instructional Staff	691,645	613,899	540,747	73,152
Board of Education	38,586	34,621	41,486	(6,865)
Administration	1,793,017	1,674,852	1,594,411	80,441
Fiscal	608,019	551,758	614,309	(62,551)
Business	239,167	221,453	221,865	(412)
Operation and Maintenance of Plant	1,832,443	2,330,517	2,306,503	24,014
Pupil Transportation	43,286	35,171	32,808	2,363
Central	65,962	60,683	58,820	1,863
Operation of Non-Instructional Services	63,831	56,979	56,235	744
Capital Outlay	42,122	54,924	56,100	(1,176)
<i>Total Expenditures</i>	<u>15,944,718</u>	<u>15,631,272</u>	<u>15,526,021</u>	<u>105,251</u>
Excess of Revenues Over (Under) Expenditures	(627,917)	187,592	295,613	108,021
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	2,803	2,883	2,883	0
Refund of Prior Year Expenditures	432,992	216,452	216,452	0
Refund of Prior Year Receipts	(12,282)	(12,282)	(12,282)	0
Other Financing Uses	0	(174,554)	0	174,554
Advances In	42,851	42,851	42,851	0
Advances Out	(43,000)	(43,000)	0	43,000
<i>Total Other Financing Sources (Uses)</i>	<u>423,364</u>	<u>32,350</u>	<u>249,904</u>	<u>217,554</u>
<i>Net Change in Fund Balance</i>	(204,553)	219,942	545,517	325,575
<i>Fund Balance (Deficit) at Beginning of Year</i>	11,663,342	11,663,342	11,663,342	0
Prior Year Encumbrances Appropriated	325,446	325,446	325,446	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 11,784,235</u>	<u>\$ 12,208,730</u>	<u>\$ 12,534,305</u>	<u>\$ 325,575</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School District
Medina County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 62,826
<i>Total Assets</i>	<u>\$ 62,826</u>
Liabilities	
Undistributed Monies	\$ 62,826
<i>Total Liabilities</i>	<u>\$ 62,826</u>

See accompanying notes to the basic financial statements.

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Medina County Joint Vocational School District

Medina County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 1 - Description of the School District

The Medina County Joint Vocational School District, also known as the Medina County Career Center, is a vocational high school and adult and continuing education center.

Joint vocational school districts were created by the legislature as one means by which a school district can meet its obligation under law to make a vocational education program available to all of its students. The School District has six member districts. They are Black River Local, Buckeye Local, Cloverleaf Local, Highland Local, Brunswick City Schools and Medina City Schools. Wadsworth City Schools, the other County school, elected to remain with a consortium to provide vocational education to its students.

The School District's Board of Education consists of nine board members. Brunswick City is represented by three board members and Medina City is represented by two board members. Each year the member districts elect or assign a board member to represent their board on the vocational school's Board of Education.

Reporting Entity

The Medina County Joint Vocational School District (the School District) is a school district governed by an elected Board of Education. The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Based on the foregoing criteria, the School District has no component units.

The School District participates in two jointly governed organizations and two public entity risk pools. These organizations are the Northeast Ohio Network for Educational Technology, the Ohio Schools Council, the Ohio Schools Council Workers' Compensation Group Rating Program and the Suburban Health Consortium. These organizations are presented in Notes 9, 14 and 15 to the basic financial statements.

Medina County Joint Vocational School District

Medina County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

Medina County Joint Vocational School District

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

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

C. Measurement Focus

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

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

Medina County Joint Vocational School District

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements.

Medina County Joint Vocational School District
Medina County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11).

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 governmental funds.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2015, investments were limited to repurchase agreements and STAR Ohio, (the State Treasurer's Investment Pool).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015. Repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$6,854, which includes \$598 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. 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 are presented at cost on a first-in, first-out basis and are recorded as an expenditure when purchased. Inventories consist of school supplies held for resale and materials and supplies held for consumption.

Medina County Joint Vocational School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The School District has no restricted assets for 2015.

H. Capital Assets

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$12,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land 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:

Description	Governmental Activities Estimated Lives
Land	N/A
Buildings and Improvements	10 - 60 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 15 Years

I. Interfund Balances

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

J. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Medina County Joint Vocational School District

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

The liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources and is reported as "matured compensated absences payable."

K. Pensions

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

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

M. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Investment in capital assets consist of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes are for instruction of students and scholarships. At June 30, 2015, the School District had no net position restricted by enabling legislation.

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

Medina County Joint Vocational School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

N. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

Medina County Joint Vocational School District

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Estimates

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

Q. Budgetary Data

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

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Medina County Budget Commission for rate determination.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or are less than current estimates. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2015.

Medina County Joint Vocational School District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. The legal level of control has been established by the Board of Education at the fund level for all funds. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statement reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statement of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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. On fund financial statements, encumbrances outstanding at year end are reported as an assignment of fund balance for subsequent-year expenditures for governmental funds. Encumbrances are not reported on government-wide financial statements.

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

R. Changes in Accounting Principles and Restatement of Net Position/Fund Balance

Changes in Accounting Principles

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See schedule below for the effect on net position as previously reported.

Medina County Joint Vocational School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See schedule below for the effect on net position as previously reported.

Restatement of Fund Balance/Net Position

During 2015, the School District re-evaluated its fund classifications and hired a firm to conduct an appraisal of its capital assets. The impact on net position as previously reported is below.

	<u>Governmental Activities</u>	<u>Business-Type Activities/ Enterprise Funds</u>
Net Position June 30, 2014	\$ 19,889,573	\$ 738,896
Fund Reclassification	738,896	(738,896)
Asset Valuation	<u>(1,470,329)</u>	<u>0</u>
Subtotal	19,158,140	0
GASB 68/71 Adjustments:		
Net Pension Liability	(23,852,088)	0
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,174,963</u>	<u>0</u>
Restated Net Position, July 1, 2014	<u><u>\$ (3,518,985)</u></u>	<u><u>\$ 0</u></u>

The impact on fund balance as previously reported is below.

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance June 30, 2014	\$ 11,414,554	\$ 428,336
Fund Reclassification	<u>82,384</u>	<u>661,124</u>
Restated Fund Balance, July 1, 2014	<u><u>\$ 11,496,938</u></u>	<u><u>\$ 1,089,460</u></u>

Medina County Joint Vocational School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 3 - Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Other Governmental Funds	Total
Nonspendable for:			
Inventory	\$ 134,683	\$ 0	\$ 134,683
Restricted for:			
Capital Outlay	0	414,111	414,111
Adult Education	0	695,541	695,541
Other Purposes	0	71,682	71,682
Total Restricted	0	1,181,334	1,181,334
Assigned for:			
Encumbrances:			
Instruction	51,965	0	51,965
Support Services	201,557	0	201,557
Non-Instructional Services	300	0	300
Capital Outlay	12,239	0	12,239
Subsequent Year Appropriations	36,010	0	36,010
Public School Support	28,371	0	28,371
Other Purposes	1,009	0	1,009
Total Assigned	331,451	0	331,451
Unassigned	11,809,794	(11,356) *	11,798,438
Total Fund Balance	\$ 12,275,928	\$ 1,169,978	\$ 13,445,906

* The public preschool fund had an unassigned deficit fund balance of \$11,356.

The deficits in this nonmajor governmental fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and will provide transfers when cash is required, not when accruals occur.

Medina County Joint Vocational School District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 4 - Budgetary Basis of Accounting

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

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).
4. Some funds are included in the General Fund (GAAP), but have separate legally adopted budgets (budget).

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

	<u>General Fund</u>
GAAP Basis	\$ 778,990
Net Adjustment for Revenue Accruals	52,658
Net Adjustment for Expenditure Accruals	468,655
Funds Budgeted Elsewhere **	11,745
Adjustment for Encumbrances	<u>(766,531)</u>
Budget Basis	<u>\$ 545,517</u>

** As part of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes certain special cost centers in the special trust, uniform school supplies, public school support, vocational and central supply funds.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

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

Interim monies 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in these divisions are made only through eligible institutions;

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Custodial credit risk for deposits is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105% of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Custodial credit risk for an investment is the risk that in the event of 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's \$9,280,000 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Cash on Hand: At year end, the School District had \$150 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

Medina County Joint Vocational School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$1,292,999 and the bank balance was \$1,428,137. Of the bank balance:

1. \$250,000 of the bank balance was covered by depository insurance; and
2. \$1,178,137 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of June 30, 2015, the School District had the following investments:

	Fair Value	Investment Maturities (in months) 0 - 6	% Total
Repurchase Agreement	\$ 9,280,000	\$ 9,280,000	69.61%
STAR Ohio	4,050,596	4,050,596	30.39%
Totals	\$ 13,330,596	\$ 13,330,596	100.00%

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Credit Risk: The School District's investment at June 30, 2015 in STAR Ohio is rated AAAM by Standard & Poor's. The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were rated Aaa by Moody's Investor Services.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days.

Concentration of Credit Risk: The School District places no limit on the amount the School District may invest in any one issuer. More than 5 percent of the School District's investments are in the repurchase agreement and STAR Ohio which are listed above.

Medina County Joint Vocational School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 - Property Taxes

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

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

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

The School District receives property taxes from Medina County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general fund was \$647,870. The amount available for advance at June 30, 2014, in the general fund was \$617,308. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Real Estate	\$ 3,870,333,540	97.48%	\$ 3,932,789,780	97.39%
Public Utility Personal Property	<u>100,142,500</u>	<u>2.52%</u>	<u>105,285,270</u>	<u>2.61%</u>
Total	<u>\$ 3,970,476,040</u>	<u>100.00%</u>	<u>\$ 4,038,075,050</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$3.05		\$3.05	

Note 7 - Receivables

Receivables at June 30, 2014, consisted of taxes, accounts and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

During 2007, the voters of Medina County passed a one-half percent sales tax to be used for capital improvements at all school districts within Medina County. Collection began in October 2007 for a period of 30 years. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. Sales tax is distributed to the school districts of Medina County based on what is essentially a per pupil distribution formula. A receivable is recognized at year end for an estimated amount to be received based on calendar year 2015 County appropriations yet to be received as of June 30, 2015.

Medina County Joint Vocational School District
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Notes to the Basic Financial Statements
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Note 8 - Capital Assets

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

	Restated Balance 7/1/14	Additions	Reductions	Balance 6/30/15
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 794,096	\$ 0	\$ 0	\$ 794,096
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	16,904,716	515,048	0	17,419,764
Furniture and Equipment	1,418,519	111,810	0	1,530,329
Vehicles	228,202	0	0	228,202
Total Capital Assets, being depreciated	<u>18,551,437</u>	<u>626,858</u>	<u>0</u>	<u>19,178,295</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(10,194,291)	(390,276)	0	(10,584,567)
Furniture and Equipment	(989,755)	(127,252)	0	(1,117,007)
Vehicles	(219,886)	(2,376)	0	(222,262)
Total Accumulated Depreciation	<u>(11,403,932)</u>	<u>(519,904)</u>	<u>0</u>	<u>(11,923,836)</u>
Total Capital Assets being depreciated, net	<u>7,147,505</u>	<u>106,954</u>	<u>0</u>	<u>7,254,459</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,941,601</u>	<u>\$ 106,954</u>	<u>\$ 0</u>	<u>\$ 8,048,555</u>

Medina County Joint Vocational School District
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Depreciation expense was charged as follows:

Governmental Activities:

Instruction:

Regular	\$ 298,523
Special	14,789
Vocational	103,688
Adult/Continuing	11,071

Support Services:

Pupil	3,690
Instructional Staff	27,813
Administration	14,761
Fiscal	14,761
Operation and Maintenance of Plant	21,052
Pupil Transportation	2,376
Central	3,690
Operation of Non-Instructional Services	<u>3,690</u>

Total Depreciation	<u><u>\$ 519,904</u></u>
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Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has a comprehensive property, fleet and liability package through the Catlin/Wright Specialty Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

The Superintendent, Board members and employees are covered under a blanket forgery and theft bond under the Catlin/Wright Specialty policy. The Treasurer is covered under separate bond through Travelers Casualty and Surety Company of America.

B. Workers' Compensation

The School District participates in the Ohio Schools Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an Executive Director and a nine member Board of Directors. The Executive Director or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 meet the GRP's selection criteria. Sheakley Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Health Benefits

The School District provides life insurance and accidental death and dismemberment insurance to its employees.

The School District participates in the Suburban Health Consortium (the "Consortium") to provide employee medical/surgical, drug, dental and vision benefits. The Consortium is administered by Medical Mutual of Ohio. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums and administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums.

Monthly premium costs for the employees and their covered dependents are shared by the School District and covered employees.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an existing School District subsequent to the settlement of all expenses and claims.

Note 10 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Teachers do not earn vacation time. Administrators employed to work 260 days per year can earn twenty-five days of vacation annually. Accumulated unpaid vacation is limited to the amount earned during one year. Employees are paid one hundred percent of their accumulated unpaid vacation when they terminate their employment for any reason.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 365 days. Employees with ten or more years of service are paid at various rates upon termination of employment.

Medina County Joint Vocational School District
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Notes to the Basic Financial Statements
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Note 11 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District’s contractually required contribution to SERS was \$358,560 for fiscal year 2015. Of this amount \$30,384 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base

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benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

The School District's contractually required contribution to STRS was \$950,428 for fiscal year 2015. Of this amount \$138,956 is reported as an intergovernmental payable.

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

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 15,540,043	\$ 4,545,385	\$ 20,085,428
Proportion of the Net Pension Liability	0.06388911%	0.08981300%	
Pension Expense	\$ 624,544	\$ 208,162	\$ 832,706

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 149,607	\$ 38,686	\$ 188,293
School District contributions subsequent to the measurement date	950,428	358,560	1,308,988
Total Deferred Outflows of Resources	<u>\$ 1,100,035</u>	<u>\$ 397,246</u>	<u>\$ 1,497,281</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	<u>\$ 2,874,967</u>	<u>\$ 737,729</u>	<u>\$ 3,612,696</u>
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\$1,308,988 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ended June 30:			
2016	\$ (681,340)	\$ (174,761)	\$ (856,101)
2017	(681,340)	(174,761)	(856,101)
2018	(681,340)	(174,761)	(856,101)
2019	(681,340)	(174,760)	(856,100)
	<u>\$ (2,725,360)</u>	<u>\$ (699,043)</u>	<u>\$ (3,424,403)</u>

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Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$ 6,484,913	\$ 4,545,385	\$ 2,914,074

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 22,247,265	\$ 15,540,043	\$ 9,867,989

Note 12 - Postemployment Benefits

A. School Employees Retirement System

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

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

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$45,686, \$25,870 and \$26,158, respectively. For fiscal year 2015, 92 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$66,949, and \$67,444, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 13 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Restated Outstanding 7/1/14	Additions	Reductions	Outstanding 6/30/15	Amounts Due in One Year
Governmental Activities:					
Net Pension Liability:					
STRS	\$ 18,511,197	\$ 0	\$ 2,971,154	\$ 15,540,043	\$ 0
SERS	5,340,891	0	795,506	4,545,385	0
Total Net Pension Liability	23,852,088	0	3,766,660	20,085,428	0
Compensated Absences	1,642,723	300,613	391,079	1,552,257	197,579
SHC New Member Payable	88,425	0	63,862	24,563	24,563
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 25,583,236</u>	<u>\$ 300,613</u>	<u>\$ 4,221,601</u>	<u>\$ 21,662,248</u>	<u>\$ 222,142</u>

Compensated absences are generally paid by the general or adult education fund. Obligations related to employee compensation will be paid from the fund benefitting from their service.

On January 1, 2011, the School District entered into an agreement to join the Suburban Health Consortium. Within the agreement, the fee to buy in to the consortium was \$294,748, payable in 60 monthly installments with the final payment in December 2015. The buy in fee is paid by the various funds that pay the employee insurance. During fiscal year 2015, the School District made 13 payments. See Note 15 for further details.

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Note 14 - Jointly Governed Organizations

A. Northeast Ohio Network for Educational Technology (NEOnet)

The Northeast Ohio Network for Educational Technology (NEOnet) is a jointly governed organization among 24 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 among member districts. Each of these schools supports NEOnet based upon a per pupil charge dependent upon the software package utilized. The NEOnet assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. NEOnet is governed by a Board of Directors chosen from the general membership of the NEOnet Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least three at-large Assembly members. During fiscal year 2015, the School District paid \$45,691 to NEOnet. Financial information can be obtained by contacting the Fiscal Officer at NEOnet, at 700 Graham Road, Cuyahoga Falls, OH 44221.

B. Ohio Schools Council

The Ohio Schools Council (OSC) is a jointly governed organization comprised of seventy-two 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, food service, and insurance. Each member provides operating resources to OSC via a monthly administrative fee and an actual usage charge, except for insurance.

The OSC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. OSC 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. During the fiscal year ended June 30, 2015, the School District paid approximately \$2,350 to the Ohio Schools Council. Financial information can be obtained by contacting the Treasurer at the Ohio Schools' Council at 8001 Brecksville Road, Brecksville, Ohio.

Note 15 - Shared Risk Pool

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

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

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Members' current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of Orange Local School District (the Fiscal Agent) at 32000 Chagrin Blvd. Pepper Pike, Ohio 44124.

Note 15 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

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C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Note 16 - Set-Asides

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

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

	Capital Improvement Reserve
Set Aside Restricted Balance June 30, 2014	\$ 0
Current Year Set-Aside Requirement	183,044
Current Year Qualifying Expenditures	(226,921)
Total	\$ (43,877)
Balance Carried Forward to Fiscal Year 2016	\$ 0
Set Aside Restricted Balance June 30, 2015	\$ 0

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

Medina County Joint Vocational School District
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 17 - Commitments

A. Contractual Commitments

As of June 30, 2015, the School District had contractual commitments in the amount of \$121,413 for paving and sealing the parking lot and \$91,752 for hot water tank and boiler replacements. Since these are repairs and replacements, the expenditures have been recorded to repairs and maintenance.

B. Encumbrance Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At fiscal year end, the School District's commitments for encumbrances in the general fund and nonmajor governmental funds were \$269,053 and \$91,912, respectively.

Medina County Joint Vocational School
Medina County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>		
School District's proportion of the net pension liability (asset)	0.06388911%	0.06388911%
School District's proportionate share of the net pension liability (asset)	\$ 15,540,043	\$ 18,511,197
School District's covered-employee payroll	\$ 6,694,908	\$ 6,744,385
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	232.12%	274.47%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>		
School District's proportion of the net pension liability (asset)	0.08981300%	0.08981300%
School District's proportionate share of the net pension liability (asset)	\$ 4,545,385	\$ 5,340,891
School District's covered-employee payroll	\$ 2,197,872	\$ 2,102,962
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	206.81%	253.97%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Medina County Joint Vocational School
Medina County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 950,428	\$ 870,338	\$ 876,770	\$ 903,377
Contributions in Relation to the Contractually Required Contribution	<u>(950,428)</u>	<u>(870,338)</u>	<u>(876,770)</u>	<u>(903,377)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 6,788,771	\$ 6,694,908	\$ 6,744,385	\$ 6,949,054
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually required contribution	\$ 358,560	\$ 304,625	\$ 291,050	\$ 286,239
Contributions in relation to the contractually required contribution	<u>(358,560)</u>	<u>(304,625)</u>	<u>(291,050)</u>	<u>(286,239)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 2,720,486	\$ 2,197,872	\$ 2,102,962	\$ 2,128,171
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 895,368	\$ 893,433	\$ 866,008	\$ 853,233	\$ 885,763	\$ 864,424
<u>(895,368)</u>	<u>(893,433)</u>	<u>(866,008)</u>	<u>(853,233)</u>	<u>(885,763)</u>	<u>(864,424)</u>
<u>\$ 0</u>					
\$ 6,887,446	\$ 6,872,562	\$ 6,661,600	\$ 6,563,331	\$ 6,813,562	\$ 6,649,415
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 275,406	\$ 294,869	\$ 212,300	\$ 206,824	n/a	n/a
<u>(275,406)</u>	<u>(294,869)</u>	<u>(212,300)</u>	<u>(206,824)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 2,190,979	\$ 2,177,762	\$ 2,157,520	\$ 2,106,151	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

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Dave Yost • Auditor of State

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

Medina County Joint Vocational School District
Medina County
1101 West Liberty Street
Medina, Ohio 44256

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; and restated its General Fund and Other Governmental Funds' fund balances due to fund-type reclassifications, and restated its Governmental Activities' net position due to capital asset accounting revisions.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

January 15, 2016

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Certain processing deficiencies were identified with respect to the District's student fee and adult education fee software applications.	Yes	Finding No Longer Valid