

Medina County Joint Vocational  
School District  
Medina County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2014





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Medina County Joint Vocational School District, Medina County, prepared by Rea & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 18, 2014

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**MEDINA COUNTY JOINT VOCATIONAL  
SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

*For the Year Ended June 30, 2014  
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November 18, 2014

To the Board of Education  
Medina County Joint Vocational School District  
Medina County, Ohio  
1101 West Liberty Street  
Medina, OH 44256

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio, (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 School District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Medina, Ohio

## *Basic Financial Statements*

## **Medina County Joint Vocational School District**

### **Medina County, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2014*

*(Unaudited)*

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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, 2014. 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 2014 are as follows:

- In total, net position increased \$1.6 million. Net position of governmental activities increased \$1.5 million, which represents an 8 percent increase from 2013. Net position of business-type activities increased \$37,659 in fiscal year 2014.
- Capital assets in the governmental activities decreased \$.4 million during fiscal year 2014 as depreciation expense exceeded acquisitions. Capital assets in the business-type activities decreased \$15,704 from depreciation expense.

### ***Using this Annual Report***

This annual report consists of the Management's Discussion and Analysis (MD&A), the basic financial statements and the notes to the basic financial statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

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 highlight 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 by far the most significant fund.

### ***Reporting the School District as a Whole***

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

While this document contains the large number of funds used by the 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 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all (non-fiduciary) 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 takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Medina County Joint Vocational School District**

**Medina County, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2014*

*(Unaudited)*

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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, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the School District's programs and services are reported here, including instruction, support services and operation of non-instructional services.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all or the majority of the expenses of the goods or services provided. The School District's adult and vocational education programs and uniform school supplies are reported as business activities.

The government wide financial statements begin on page 13.

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for 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.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single aggregated presentation.

**Medina County Joint Vocational School District**  
**Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 16.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities (uniform school supplies, adult education and vocational education); therefore, these statements will essentially match.

The proprietary fund financial statements begin on page 21.

**Fiduciary Funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used of proprietary funds.

The fiduciary fund financial statement is on page 24.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25.

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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, 2014*  
*(Unaudited)*

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

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

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and Other Assets	\$ 20,617,005	\$ 18,519,690	\$ 786,694	\$ 714,098	\$ 21,403,699	\$ 19,233,788
Capital Assets	9,348,256	9,792,680	63,674	79,378	9,411,930	9,872,058
<i>Total Assets</i>	<u>29,965,261</u>	<u>28,312,370</u>	<u>850,368</u>	<u>793,476</u>	<u>30,815,629</u>	<u>29,105,846</u>
<b>Liabilities</b>						
Other Liabilities	1,430,143	1,422,261	46,044	36,061	1,476,187	1,458,322
Long-Term Liabilities	1,665,720	1,669,782	65,428	56,178	1,731,148	1,725,960
<i>Total Liabilities</i>	<u>3,095,863</u>	<u>3,092,043</u>	<u>111,472</u>	<u>92,239</u>	<u>3,207,335</u>	<u>3,184,282</u>
Deferred Inflows of Resources	6,979,825	6,879,740	0	0	6,979,825	6,879,740
<b>Net Assets</b>						
Investment in Capital Assets	9,348,256	9,792,680	63,674	79,378	9,411,930	9,872,058
Restricted	647,368	332,423	0	0	647,368	332,423
Unrestricted	9,893,949	8,215,484	675,222	621,859	10,569,171	8,837,343
<i>Total Net Position</i>	<u>\$ 19,889,573</u>	<u>\$ 18,340,587</u>	<u>\$ 738,896</u>	<u>\$ 701,237</u>	<u>\$ 20,628,469</u>	<u>\$ 19,041,824</u>

At year end, capital assets represented 31 percent of total assets of the School District. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and infrastructure. Investment in capital assets was \$9.4 million at June 30, 2014. 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, \$.6 million or 3 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$10.6 million may be used to meet the government's ongoing obligations to students and creditors.

The net position of the School District's governmental activities increased 8 percent or \$1.5 million and net position of the business-type activities increased \$37,659.

Total assets in the governmental activities increased \$1.7 million over fiscal year 2013. Current assets increased \$2.1 million mainly in cash, due to the timing of receipts to cover expenditures. Capital assets showed a decrease of \$.4 million due to depreciation expense exceeding acquisitions. Total liabilities in

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the governmental activities increased \$3,820 while deferred inflows of resources increased \$.1 million over fiscal year 2013 through an increase in available tax advances.

The net position of the business-type activities increased \$37,659 over fiscal year 2013.

Table 2 shows the changes in net position for fiscal year 2014 and 2013 and will help further explain the change from the prior year.

**Table 2**  
**Governmental and Business-Type Activities**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$ 23,386	\$ 27,844	\$ 873,125	\$ 830,993	\$ 896,511	\$ 858,837
Operating Grants and Contributions	504,246	517,540	267,791	252,759	772,037	770,299
<i>General Revenue:</i>						
Property Taxes	7,695,110	7,668,789	0	0	7,695,110	7,668,789
Grants and Entitlements not Restricted	7,836,052	7,695,597	0	0	7,836,052	7,695,597
Capital Grants Not Restricted	365,053	340,990	0	0	365,053	340,990
Payment in Lieu of Taxes	14,504	16,208	0	0	14,504	16,208
Other	98,891	103,660	20,484	19,444	119,375	123,104
<b>Total Revenues</b>	<b>16,537,242</b>	<b>16,370,628</b>	<b>1,161,400</b>	<b>1,103,196</b>	<b>17,698,642</b>	<b>17,473,824</b>
<b>Program Expenses</b>						
<i>Instruction:</i>						
Regular	2,888,557	2,562,020	0	0	2,888,557	2,562,020
Special	460,904	558,461	0	0	460,904	558,461
Vocational	4,642,895	4,861,565	0	0	4,642,895	4,861,565
Adult Continuing	94,551	115,191	0	0	94,551	115,191
<i>Support Services:</i>						
Pupils	1,757,513	1,674,078	0	0	1,757,513	1,674,078
Instructional Staff	563,929	606,569	0	0	563,929	606,569
Board of Education	32,457	33,932	0	0	32,457	33,932
Administration	1,827,463	1,744,751	0	0	1,827,463	1,744,751
Fiscal	566,876	567,209	0	0	566,876	567,209
Business	232,275	204,903	0	0	232,275	204,903
Operation and Maintenance of Plant	1,621,427	1,415,614	0	0	1,621,427	1,415,614
Pupil Transportation	41,046	31,402	0	0	41,046	31,402
Central	175,833	361,093	0	0	175,833	361,093
Operation of Non-Instructional Services	54,775	69,546	0	0	54,775	69,546
Extracurricular Activities	27,755	27,106	0	0	27,755	27,106
Adult Education	0	0	768,045	718,386	768,045	718,386
Uniform School Supplies	0	0	224,753	203,356	224,753	203,356
Vocational Education	0	0	130,943	117,271	130,943	117,271
<b>Total Expenses</b>	<b>14,988,256</b>	<b>14,833,440</b>	<b>1,123,741</b>	<b>1,039,013</b>	<b>16,111,997</b>	<b>15,872,453</b>
<b>Increase (Decrease) in Net Position</b>	<b>1,548,986</b>	<b>1,537,188</b>	<b>37,659</b>	<b>64,183</b>	<b>1,586,645</b>	<b>1,601,371</b>
<b>Net Position Beginning of Year</b>	<b>18,340,587</b>	<b>16,803,399</b>	<b>701,237</b>	<b>637,054</b>	<b>19,041,824</b>	<b>17,440,453</b>
<b>Net Position End of Year</b>	<b>\$ 19,889,573</b>	<b>\$ 18,340,587</b>	<b>\$ 738,896</b>	<b>\$ 701,237</b>	<b>\$ 20,628,469</b>	<b>\$ 19,041,824</b>

**Medina County Joint Vocational School District**  
**Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
(Unaudited)

Total governmental revenues increased \$.2 million over fiscal year 2013, mainly through an increase in foundation revenue. Expenses increased \$.2 million from 2013, in part, from an increase in regular instruction through annual increases and retirement payouts.

Revenues in business-type activities increased \$58,204 and expenses increased \$84,728 over fiscal year 2013. The business type activities had an increase in net position of \$37,659 over fiscal year 2013.

**Governmental Activities**

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. All governmental activities had total revenues of \$16.5 million and expenses of \$15.0 million.

**Table 3**  
**Governmental Activities**

	Cost		Net Cost	
	2014	2013	2014	2013
Instruction:				
Regular	\$ 2,888,557	\$ 2,562,020	\$ 2,888,557	\$ 2,562,020
Special	460,904	558,461	460,904	558,461
Vocational	4,642,895	4,861,565	4,489,386	4,736,409
Adult Continuing	94,551	115,191	21,652	27,686
Support Services:				
Pupils	1,757,513	1,674,078	1,479,296	1,370,551
Instructional Staff	563,929	606,569	561,755	601,573
Board of Education	32,457	33,932	32,457	33,932
Administration	1,827,463	1,744,751	1,825,503	1,741,831
Fiscal	566,876	567,209	566,876	567,209
Business	232,275	204,903	232,275	204,903
Operation and Maintenance of Plant	1,621,427	1,415,614	1,621,427	1,415,614
Pupil Transportation	41,046	31,402	41,046	31,402
Central	175,833	361,093	174,033	359,293
Operation of Non-Instructional Services	54,775	69,546	54,775	69,546
Extracurricular Activities	27,755	27,106	10,682	7,626
<b>Total Expenses</b>	<b>\$14,988,256</b>	<b>\$14,833,440</b>	<b>\$ 14,460,624</b>	<b>\$ 14,288,056</b>

The dependence upon general revenues for governmental activities is apparent. Over 96 percent of governmental activities are supported through taxes and other general revenues; such revenues are 97 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

**Medina County Joint Vocational School District**  
**Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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**Financial Analysis of the School District's Funds**

***Governmental Funds***

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16.5 million and expenditures of \$14.6 million for fiscal year 2014. The net change in fund balances for the fiscal year was an increase of \$2.0 million for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2014 was an increase of \$1.7 million. Revenues increased \$.1 million from fiscal year 2013, mainly through an increase in foundation revenue. Expenditures decreased \$.4 million with most of that in capital outlay. The School District had no major maintenance or improvement projects in fiscal year 2014.

**Business-Type Activities**

Business-type activities include adult education programs, vocational, and the sale of uniform school supplies. These programs had operating and non-operating revenues of \$1.2 million and expenses of \$1.1 million for fiscal year 2014 with a change in net position of \$37,659.

***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 2014, 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 \$.3 million, with intergovernmental revenue estimated lower. Original budget basis revenue was estimated higher than final budget basis revenue by \$50,556.

Final estimated expenditures of \$14.9 million were \$.6 million more than the actual expenditures of \$14.3 million. For fiscal year 2014, the School District was able to maintain operating costs below appropriated amounts. Original estimates for all expenditures were higher than final appropriations by \$1.0 million in total. The School District was able to monitor expenditures throughout the year to be in line with revenues.

**Medina County Joint Vocational School District**  
**Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

***Capital Assets***

At the end of fiscal year 2014 the School District had \$9.4 million invested in land, buildings and improvements, furniture and equipment, vehicles, and infrastructure. A total of \$9.3 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 794,096	\$ 794,096	\$ 0	\$ 0	\$ 794,096	\$ 794,096
Buildings and Improvements	7,955,678	8,332,413	63,674	79,378	8,019,352	8,411,791
Furniture and Equipment	584,758	644,670	0	0	584,758	644,670
Vehicles	12,905	19,035	0	0	12,905	19,035
Infrastructure	819	2,466	0	0	819	2,466
Totals	<u>\$ 9,348,256</u>	<u>\$ 9,792,680</u>	<u>\$ 63,674</u>	<u>\$ 79,378</u>	<u>\$ 9,411,930</u>	<u>\$ 9,872,058</u>

Total capital assets decreased \$.5 million or 5 percent from fiscal year 2013. Additions in fiscal year 2014 include equipment. Depreciation expense of \$.5 million amounted to more than acquisitions accounting for the decrease in capital assets. For additional information, see Note 8.

***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 John Streett, Treasurer of Medina County Joint Vocational School District, 1101 West Liberty Street, Medina, Ohio, 44256-3842.

**Medina County Joint Vocational School District**  
**Medina County, Ohio**  
*Statement of Net Position*  
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 12,399,562	\$ 756,386	\$ 13,155,948
Receivables:			
Accounts	8,965	25,714	34,679
Intergovernmental	301,626	0	301,626
Property Taxes	7,779,863	0	7,779,863
Inventory	126,989	4,594	131,583
Nondepreciable Capital Assets	794,096	0	794,096
Depreciable Capital Assets (Net)	8,554,160	63,674	8,617,834
<i>Total Assets</i>	<u>29,965,261</u>	<u>850,368</u>	<u>30,815,629</u>
<b>Liabilities</b>			
Accounts Payable	88,345	2,059	90,404
Accrued Wages and Benefits	1,102,815	32,617	1,135,432
Intergovernmental Payable	203,784	8,510	212,294
Accrued Vacation Leave Payable	35,199	2,858	38,057
Long Term Liabilities:			
Due Within One Year	186,145	7,330	193,475
Due In More Than One Year	1,479,575	58,098	1,537,673
<i>Total Liabilities</i>	<u>3,095,863</u>	<u>111,472</u>	<u>3,207,335</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Fiscal Year	6,979,825	0	6,979,825
<b>Net Position</b>			
Investment in Capital Assets	9,348,256	63,674	9,411,930
Restricted for:			
Capital Projects	530,679	0	530,679
Other Purposes	116,689	0	116,689
Unrestricted	9,893,949	675,222	10,569,171
<i>Total Net Position</i>	<u>\$ 19,889,573</u>	<u>\$ 738,896</u>	<u>\$ 20,628,469</u>

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, 2014*

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction:			
Regular	\$ 2,888,557	\$ 0	\$ 0
Special	460,904	0	0
Vocational	4,642,895	23,386	130,123
Adult Continuing	94,551	0	72,899
Support Services:			
Pupils	1,757,513	0	278,217
Instructional Staff	563,929	0	2,174
Board of Education	32,457	0	0
Administration	1,827,463	0	1,960
Fiscal	566,876	0	0
Business	232,275	0	0
Operation and Maintenance of Plant	1,621,427	0	0
Pupil Transportation	41,046	0	0
Central	175,833	0	1,800
Operation of Non-Instructional Services	54,775	0	0
Extracurricular Activities	27,755	0	17,073
<i>Total Governmental Activities</i>	<u>14,988,256</u>	<u>23,386</u>	<u>504,246</u>
<b>Business-Type Activities</b>			
Adult Education	768,045	528,424	267,791
Uniform School Supplies	224,753	214,993	0
Vocational Education	130,943	129,708	0
<i>Total Business-Type Activities</i>	<u>1,123,741</u>	<u>873,125</u>	<u>267,791</u>
<i>Totals</i>	<u>\$ 16,111,997</u>	<u>\$ 896,511</u>	<u>\$ 772,037</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Grants and Entitlements not Restricted  
to Specific Programs

Capital Grants not Restricted to Specific Programs

Payment in Lieu of Taxes

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (2,888,557)	\$ 0	\$ (2,888,557)
(460,904)	0	(460,904)
(4,489,386)	0	(4,489,386)
(21,652)	0	(21,652)
(1,479,296)	0	(1,479,296)
(561,755)	0	(561,755)
(32,457)	0	(32,457)
(1,825,503)	0	(1,825,503)
(566,876)	0	(566,876)
(232,275)	0	(232,275)
(1,621,427)	0	(1,621,427)
(41,046)	0	(41,046)
(174,033)	0	(174,033)
(54,775)	0	(54,775)
(10,682)	0	(10,682)
<u>(14,460,624)</u>	<u>0</u>	<u>(14,460,624)</u>
0	28,170	28,170
0	(9,760)	(9,760)
0	(1,235)	(1,235)
<u>0</u>	<u>17,175</u>	<u>17,175</u>
<u>(14,460,624)</u>	<u>17,175</u>	<u>(14,443,449)</u>
7,695,110	0	7,695,110
7,836,052	0	7,836,052
365,053	0	365,053
14,504	0	14,504
6,379	0	6,379
92,512	20,484	112,996
16,009,610	20,484	16,030,094
1,548,986	37,659	1,586,645
<u>18,340,587</u>	<u>701,237</u>	<u>19,041,824</u>
<u>\$ 19,889,573</u>	<u>\$ 738,896</u>	<u>\$ 20,628,469</u>

See accompanying notes to the basic financial statements.

**Medina County Joint Vocational School District**  
**Medina County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 12,005,061	\$ 394,501	\$ 12,399,562
Receivables:			
Accounts	8,965	0	8,965
Interfund	42,851	0	42,851
Intergovernmental	0	301,626	301,626
Property Taxes	7,779,863	0	7,779,863
Inventory	126,989	0	126,989
<i>Total Assets</i>	<u>\$ 19,963,729</u>	<u>\$ 696,127</u>	<u>\$ 20,659,856</u>
<b>Liabilities</b>			
Accounts Payable	\$ 83,352	\$ 4,993	\$ 88,345
Accrued Wages and Benefits	1,099,930	2,885	1,102,815
Intergovernmental Payable	203,338	446	203,784
Interfund Payable	0	42,851	42,851
<i>Total Liabilities</i>	<u>1,386,620</u>	<u>51,175</u>	<u>1,437,795</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Fiscal Year	6,979,825	0	6,979,825
Unavailable Revenue - Delinquent Property Taxes	182,730	0	182,730
Unavailable Revenue - Other	0	216,616	216,616
<i>Total Deferred Inflows of Resources</i>	<u>7,162,555</u>	<u>216,616</u>	<u>7,379,171</u>
<b>Fund Balances</b>			
Nonspendable	126,989	0	126,989
Restricted	0	436,382	436,382
Assigned	263,463	0	263,463
Unassigned	11,024,102	(8,046)	11,016,056
<i>Total Fund Balances</i>	<u>11,414,554</u>	<u>428,336</u>	<u>11,842,890</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 19,963,729</u>	<u>\$ 696,127</u>	<u>\$ 20,659,856</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, 2014*

Total Governmental Fund Balances	\$	11,842,890
 <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.		9,348,256
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 216,616	
Delinquent Property Taxes	<u>182,730</u>	399,346
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	(1,580,660)	
Accrued Vacation Leave Payable	(35,199)	
SHC New Member Payable	<u>(85,060)</u>	<u>(1,700,919)</u>
 Net Position of Governmental Activities	 \$	 <u><u>19,889,573</u></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 Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property and Other Local Taxes	\$ 7,724,006	\$ 0	\$ 7,724,006
Intergovernmental	7,836,053	836,882	8,672,935
Investment Income	6,379	0	6,379
Tuition and Fees	22,906	0	22,906
Rentals	1,960	0	1,960
Charges for Services	480	0	480
Contributions and Donations	322	16,750	17,072
Payment in Lieu of Taxes	14,504	0	14,504
Miscellaneous	59,157	0	59,157
<i>Total Revenues</i>	<u>15,665,767</u>	<u>853,632</u>	<u>16,519,399</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,669,801	0	2,669,801
Special	451,216	0	451,216
Vocational	4,439,715	124,717	4,564,432
Adult Continuing	28,641	65,910	94,551
Support Services:			
Pupils	1,473,000	270,539	1,743,539
Instructional Staff	536,292	2,174	538,466
Board of Education	32,457	0	32,457
Administration	1,795,525	0	1,795,525
Fiscal	543,459	0	543,459
Business	230,037	0	230,037
Operation and Maintenance of Plant	1,520,849	69,120	1,589,969
Pupil Transportation	35,811	0	35,811
Central	168,798	1,800	170,598
Operation of Non-Instructional Services	54,775	0	54,775
Extracurricular Activities	13,148	14,607	27,755
Capital Outlay	12,300	0	12,300
<i>Total Expenditures</i>	<u>14,005,824</u>	<u>548,867</u>	<u>14,554,691</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,659,943</u>	<u>304,765</u>	<u>1,964,708</u>
<b>Other Financing Sources (Uses):</b>			
Insurance Recoveries	33,354	0	33,354
<i>Net Change in Fund Balance</i>	1,693,297	304,765	1,998,062
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>9,721,257</u>	<u>123,571</u>	<u>9,844,828</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 11,414,554</u>	<u>\$ 428,336</u>	<u>\$ 11,842,890</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, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$	1,998,062
 <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 depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 23,800	
Current Year Depreciation	<u>(468,224)</u>	(444,424)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	13,384	
Delinquent Property Taxes	<u>(28,895)</u>	(15,511)
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
SHC New Member Payable	47,629	
Compensated Absences	(43,567)	
Vacation Benefits Payable	<u>6,797</u>	<u>10,859</u>
 Change in Net Position of Governmental Activities	 \$	 <u><u>1,548,986</u></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, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 7,769,456	\$ 7,769,456	\$ 7,825,221	\$ 55,765
Intergovernmental	7,668,260	7,617,704	7,836,053	218,349
Investment Income	5,000	5,000	6,379	1,379
Tuition and Fees	7,000	7,000	22,906	15,906
Rentals	1,900	1,900	1,960	60
Charges for Services	450	450	480	30
Payment in Lieu of Taxes	14,504	14,504	14,504	0
Miscellaneous	32,594	32,594	55,754	23,160
<i>Total Revenues</i>	<u>15,499,164</u>	<u>15,448,608</u>	<u>15,763,257</u>	<u>314,649</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,888,666	2,698,940	2,649,392	49,548
Special	504,683	471,246	465,711	5,535
Vocational	5,134,634	4,815,346	4,554,954	260,392
Adult/Continuing	37,965	35,908	35,818	90
Support Services:				
Pupils	1,601,428	1,495,598	1,474,135	21,463
Instructional Staff	659,043	620,548	537,128	83,420
Board of Education	42,384	40,054	34,017	6,037
Administration	1,956,656	1,828,992	1,796,587	32,405
Fiscal	592,869	553,861	547,256	6,605
Business	231,874	216,209	221,155	(4,946)
Operation and Maintenance of Plant	1,634,800	1,527,459	1,640,774	(113,315)
Pupil Transportation	38,087	35,584	40,410	(4,826)
Central	197,258	185,082	175,551	9,531
Operation of Non-Instructional Services	72,827	68,886	54,891	13,995
Capital Outlay	294,335	293,796	25,800	267,996
<i>Total Expenditures</i>	<u>15,887,508</u>	<u>14,887,508</u>	<u>14,253,579</u>	<u>633,929</u>
Excess of Revenues Over (Under) Expenditures	(388,344)	561,100	1,509,678	948,578
<b>Other Financing Sources (Uses):</b>				
Insurance Recoveries	0	0	33,354	33,354
Advances In	92,703	92,703	92,703	0
Advances Out	(92,703)	(92,703)	(42,851)	49,852
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>83,206</u>	<u>83,206</u>
<i>Net Change in Fund Balance</i>	(388,344)	561,100	1,592,884	1,031,784
<i>Fund Balance (Deficit) at Beginning of Year</i>	9,730,616	9,730,616	9,730,616	0
Prior Year Encumbrances Appropriated	339,842	339,842	339,842	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 9,682,114</u>	<u>\$ 10,631,558</u>	<u>\$ 11,663,342</u>	<u>\$ 1,031,784</u>

See accompanying notes to the basic financial statements.

**Medina County Joint Vocational School District**  
**Medina County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
June 30, 2014

	Enterprise Funds
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 756,386
Accounts Receivable	25,714
Inventory	4,594
	786,694
<i>Total Current Assets</i>	786,694
 <i>Non Current Assets:</i>	
Depreciable Capital Assets (Net)	63,674
	63,674
<i>Total Assets</i>	850,368
 <b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	2,059
Accrued Wages and Benefits	32,617
Vacation Benefits Payable	2,858
Intergovernmental Payable	8,510
Compensated Absences Payable	5,086
SHC New Member Payable	2,244
	53,374
<i>Total Current Liabilities</i>	53,374
 <i>Long Term Liabilities:</i>	
Compensated Absences	56,977
SHC New Member Payable	1,121
	58,098
<i>Total Long Term Liabilities</i>	58,098
<i>Total Liabilities</i>	111,472
 <b>Net Position</b>	
Investment in Capital Assets	63,674
Unrestricted	675,222
	738,896
<i>Total Net Position</i>	\$ 738,896

See accompanying notes to the basic financial statements.

**Medina County Joint Vocational School District**  
**Medina County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2014*

	Enterprise Funds
<b>Operating Revenues:</b>	
Tuition	\$ 462,936
Sales	410,189
Other Operating Revenues	20,484
<i>Total Operating Revenues</i>	893,609
<b>Operating Expenses:</b>	
Salaries	434,907
Fringe Benefits	173,465
Purchased Services	60,804
Materials and Supplies	422,008
Depreciation	15,704
Other Operating Expenses	16,853
<i>Total Operating Expenses</i>	1,123,741
Operating Income (Loss)	(230,132)
<b>Non-Operating Revenues (Expenses):</b>	
Grants	267,791
<i>Change in Net Position</i>	37,659
<i>Net Position Beginning of Year</i>	701,237
<i>Net Position End of Year</i>	\$ 738,896

See accompanying notes to the basic financial statements.

**Medina County Joint Vocational School District**  
**Medina County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2014

	Enterprise Funds
<b>Cash Flows From Operating Activities:</b>	
Cash Received from Customers	\$ 876,371
Other Cash Receipts	20,483
Cash Paid for Goods and Services	(509,166)
Cash Paid to Employees	(580,685)
	(192,997)
 <b>Cash Flows From Non-Capital Financing Activities:</b>	
Grants Received	267,791
	74,794
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>74,794</i>
 <i>Cash and Cash Equivalents at Beginning of Year</i>	 <i>681,592</i>
 <i>Cash and Cash Equivalents at End of Year</i>	 <i>\$ 756,386</i>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ (230,132)
Adjustments:	
Depreciation	15,704
(Increase) Decrease in Assets	
Accounts Receivable	3,245
Inventory	(1,047)
Increase (Decrease) in Liabilities	
Accounts Payable	(1,441)
Accrued Wages and Benefits	10,961
Compensated Absences and Vacation Benefits Payable	16,726
Intergovernmental Payable	(605)
Other Liabilities	(6,408)
	37,135
<i>Total Adjustments</i>	<i>37,135</i>
 <i>Net Cash Provided By (Used For) Operating Activities</i>	 <i>\$ (192,997)</i>

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, 2014*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 58,207
<i>Total Assets</i>	<u>\$ 58,207</u>
<b>Liabilities</b>	
Undistributed Monies	\$ 58,207
<i>Total Liabilities</i>	<u>\$ 58,207</u>

See accompanying notes 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, 2014*

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**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 Career Center 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 Medina County Career Center's Board of Education consists of nine board members. Each local school district is represented by one board member elected from the membership of their local board. 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, 2014*

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**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 statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type 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 and enterprise 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 three categories of funds: governmental, proprietary and fiduciary.

**Medina County Joint Vocational School District**  
**Medina County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**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.

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following is the School District's proprietary fund type:

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The enterprise funds consist of adult education, vocational education and uniform school supplies services.

**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.

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

***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. Proprietary and 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***

A deferred inflow of resources is an acquisition of assets by the School District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the School District that is applicable to a future reporting period.

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Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

***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, including proprietary 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 2014, investments were limited to repurchase agreements and STAROhio, (the State Treasurer's Investment Pool).

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2014. 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 2014 amounted to \$6,379, which includes \$563 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.

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***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 of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the enterprise fund are expensed when used.

***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 2014.

***H. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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	Business-Type Activities Estimated Lives
Land and Construction in Progress	N/A	N/A
Buildings and Improvements	10 - 60 Years	10 - 60 Years
Furniture and Equipment	5 - 20 Years	N/A
Vehicles	5 - 15 Years	N/A
Infrastructure	20 Years	N/A

The School District's infrastructure consists of signs and street lights.

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***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 governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as "internal balances."

***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.

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.

In governmental funds, 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." In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

***K. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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.

***L. 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. At June 30, 2014, the School District had no net position restricted by enabling legislation.

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

***M. 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.

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***N. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for adult and vocational education classes, and sales of uniform school supplies. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are considered non-operating.

***O. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. 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.

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***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 2014.

***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.

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***R. Changes in Accounting Principles***

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2014 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

**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:

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	General	Other Governmental Funds	Total
Nonspendable for:			
Inventory	\$ 126,989	\$ 0	\$ 126,989
Restricted for:			
Capital Outlay	0	355,514	355,514
Other Purposes	0	80,868	80,868
Total Restricted	0	436,382	436,382
Assigned for:			
Encumbrances:			
Instruction	89,716	0	89,716
Support Services	134,030	0	134,030
Capital Outlay	13,500	0	13,500
Public School Support	25,534	0	25,534
Other Purposes	683	0	683
Total Assigned	263,463	0	263,463
Unassigned	11,024,102	(8,046)	11,016,056
Total Fund Balance	\$ 11,414,554	\$ 428,336	\$ 11,842,890

**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).

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3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. 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.

**Net Change in Fund Balance**

GAAP Basis	\$ 1,693,297
Net Adjustment for Revenue Accruals	123,412
Advance In	92,703
Advance Out	(42,851)
Net Adjustment for Expenditure Accruals	41,620
Funds Budgeted Elsewhere **	10,149
Adjustment for Encumbrances	<u>(325,446)</u>
Budget Basis	<u>\$ 1,592,884</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, public school support and central supply.

**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.

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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;

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;

5. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
6. 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,
7. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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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 \$7,800,000 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.

***Deposits*** At fiscal year-end, the carrying amount of the School District's deposits was \$1,365,474 and the bank balance was \$1,435,618. Of the bank balance:

1. \$250,000 of the bank balance was covered by depository insurance; and
2. \$1,185,618 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.

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**Investments**

Investments are reported at fair value. As of June 30, 2014, the School District had the following investments:

	Fair Value	Investment Maturities (in months) 0 - 6	% Total
Repurchase Agreement	\$ 7,800,000	\$ 7,800,000	65.83%
STAROhio	4,048,531	4,048,531	34.17%
Totals	<u>\$ 11,848,531</u>	<u>\$ 11,848,531</u>	<u>100.00%</u>

**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, 2014 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, 2014, is 51 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.

**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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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.

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Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2014 was \$617,308 in the general fund. The amount available as an advance at June 30, 2013 was \$718,523 in the general fund.

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

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

	2013 Second Half Collections		2014 First Half Collections	
	Amount	%	Amount	%
Real Estate	\$ 3,977,924,160	97.71%	\$ 3,870,333,540	97.48%
Public Utility Personal Property	<u>93,023,760</u>	<u>2.29%</u>	<u>100,142,500</u>	<u>2.52%</u>
Total	<u>\$ 4,070,947,920</u>	<u>100.00%</u>	<u>\$ 3,970,476,040</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$3.05		\$3.06	

**Note 7 - Receivables**

Receivables at June 30, 2014, consisted of taxes, accounts, interfund and intergovernmental grants. 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 2014 County appropriations yet to be received as of June 30, 2014.

Intergovernmental receivables consisted \$42,851 in various special revenue funds for operating grants and \$258,775 in the capital grant fund for building upgrades and maintenance.

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**Note 8 - Capital Assets**

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

	Balance 7/1/13	Additions	Reductions	Balance 6/30/14
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 794,096	\$ 0	\$ 0	\$ 794,096
Total Capital Assets, not being depreciated	794,096	0	0	794,096
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	14,429,346	0	0	14,429,346
Furniture and Equipment	1,806,349	23,800	0	1,830,149
Vehicles	239,735	0	0	239,735
Infrastructure	32,931	0	0	32,931
Total Capital Assets, being depreciated	16,508,361	23,800	0	16,532,161
Less Accumulated Depreciation:				
Buildings and Improvements	(6,096,933)	(376,735)	0	(6,473,668)
Furniture and Equipment	(1,161,679)	(83,712)	0	(1,245,391)
Vehicles	(220,700)	(6,130)	0	(226,830)
Infrastructure	(30,465)	(1,647)	0	(32,112)
Total Accumulated Depreciation	(7,509,777)	(468,224)	0	(7,978,001)
Total Capital Assets being depreciated, net	8,998,584	(444,424)	0	8,554,160
Governmental Activities Capital Assets, Net	\$ 9,792,680	\$ (444,424)	\$ 0	\$ 9,348,256
<b>Business-Type Activities</b>				
<i>Capital Assets being depreciated</i>				
Buildings	\$ 347,289	\$ 0	\$ 0	\$ 347,289
Total Capital Assets, being depreciated	347,289	0	0	347,289
Less Accumulated Depreciation:				
Buildings	(267,911)	(15,704)	0	(283,615)
Total Accumulated Depreciation	(267,911)	(15,704)	0	(283,615)
Total Capital Assets being depreciated, net	79,378	(15,704)	0	63,674
Business-Type Activities Capital Assets, Net	\$ 79,378	\$ (15,704)	\$ 0	\$ 63,674

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Depreciation expense was charged as follows:

**Governmental Activities:**

Instruction:

Regular	\$ 179,080
Special	17,677
Vocational	145,039

Support Services:

Pupil	5,235
Instructional Staff	26,173
Administration	20,938
Fiscal	20,938
Operation and Maintenance of Plant	42,674
Central	5,235
Operation of Non-Instructional Services	<u>5,235</u>

Total Depreciation	<u>\$ 468,224</u>
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**Business-Type Activities:**

Adult Education	<u>\$ 15,704</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 Argonaut 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 Argonaut policy.

The Treasurer is covered under separate bond through Travelers Casualty and Surety Company of America.

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***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.

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.

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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.

**Note 11 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$287,921, \$275,488 and \$270,278, respectively; 99 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and

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the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$870,338 , \$876,770 and \$903,377, respectively; 98 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$23,248 made by the School District and \$18,267 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Note 12 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B 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. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be

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as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$25,870, \$26,158, and \$50,144, respectively; 99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$16,704, \$15,562, and \$15,961, respectively; 99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

***B. State Teachers Retirement System***

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under

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Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$66,949, \$67,444, and \$69,161, respectively; 98 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**Note 13 - Long - Term Obligations**

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

	Outstanding 7/1/13	Additions	Reductions	Outstanding 6/30/14	Amounts Due in One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 1,537,093	\$ 183,340	\$ 139,773	\$ 1,580,660	\$ 129,438
SHC New Member Payable	132,689	0	47,629	85,060	56,707
Total Governmental Activities					
Long-Term Liabilities	\$ 1,669,782	\$ 183,340	\$ 187,402	\$ 1,665,720	\$ 186,145
<b>Business-Type Activities</b>					
Compensated Absences	\$ 46,405	\$ 27,182	\$ 11,524	\$ 62,063	\$ 5,086
SHC New Member Payable	9,773	0	6,408	3,365	2,244
Total Business-Type Activities					
Long-Term Liabilities	\$ 56,178	\$ 27,182	\$ 17,932	\$ 65,428	\$ 7,330

Compensated absences are generally paid by the general or adult education fund.

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 2016. In fiscal years 2013 and 2014, the School District made 13 and 11 payments, respectively. The buy in fee is paid by the various funds that pay the employee insurance. See Note 15 for further details.

**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 27 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

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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 the fiscal year 2014, the School District paid \$45,702 to NEOnet. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Summit County, who serves as the fiscal agent, at 420 Washington Avenue, 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 year ended June 30, 2014, the School District paid approximately \$369 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.

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

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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 16 - 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, 2014, 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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**Note 17 - Interfund Balances**

Interfund balances at June 30, 2014 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 42,851	\$ 0
Nonmajor Governmental Funds	0	42,851
	\$ 42,851	\$ 42,851

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2014, all interfund payables outstanding are anticipated to be repaid in fiscal year 2015.

**Note 18 - 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, 2013	\$ 0
Current Year Set-Aside Requirement	174,601
Current Year Qualifying Expenditures	(259,503)
Total	\$ (84,902)
Balance Carried Forward to Fiscal Year 2015	\$ 0
Set Aside Restricted Balance June 30, 2014	\$ 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.

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*For the Fiscal Year Ended June 30, 2014*

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**Note 19 - 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 year end, the School District's commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General Fund	\$ 237,246
Nonmajor Governmental Funds	15,321
	\$ 252,567

**Note 20 – Fund Deficits**

Fund balances at June 30, 2014, included the following individual fund deficits:

	Deficit Fund Balance
Nonmajor Governmental Funds:	
Public Preschool	\$ 5,872
Title II-A	2,174

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

November 18, 2014

The Board of Education  
Medina County Joint Vocational School District  
Medina County, Ohio  
1101 West Liberty Street  
Medina, Ohio 44256

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio, (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 18, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item #2014-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **School District's Response to Findings**

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Medina, Ohio

**Medina County Joint Vocational School District  
Medina County, Ohio**

*Schedule of Findings  
June 30, 2014*

**Findings Related to the Financial Statements  
Required to be Reported In Accordance With GAGAS**

**FINDING #2014-001**

**Significant Deficiency – Student Fees and Adult Education Software**

**Criteria:** Accounting software that is designed and implemented to allow for proper reporting, strong security, and accountability of transactions is essential to ensure the effectiveness of internal controls over the billing and collection of student fees and adult education tuition.

**Condition:** During our procedures, we noted control deficiencies related to the student fees and adult education software as follows:

- The student fees and adult education applications as written does not allow for proper user authentication and identification to ensure the ownership of transactions.
- The student fees application does not provide a reporting feature to allow the creation of billing and collection reports for specified range of dates. The adult education application allows for the creation of billing and collection reports for a range of dates, however daily reports are not used to reconcile actual receipts to the adult education system.
- The student fees and adult education applications do not provide an audit trail report to allow for the identification of transactions entered or modified within the applications. Entries are able to be modified or deleted from the systems without identification of the entry or user making the changes.

**Cause:** The student fees and adult education applications were programmed and developed internally and have provided the School District with the necessary functions to complete the billing and collections without incurring the costs related to external software applications. The School District has implemented manual controls over these processes which help to mitigate some of the risk of material misstatement. However, evaluations of the design and effectiveness of these applications were not performed to ensure the applications were properly updated and modified to allow for effective controls.

**Medina County Joint Vocational School District  
Medina County, Ohio**

*Schedule of Findings (Continued)  
June 30, 2014*

**Findings Related to the Financial Statements  
Required to be Reported In Accordance With GAGAS (Continued)**

**FINDING #2014-001 (Continued)  
Significant Deficiency – Student Fees and Adult Education Software**

**Effect:** The potential effects of each respective control deficiency noted above are as follows:

- Failure to properly authenticate and identify the users of the software will prevent the School District from being able to hold individuals accountable for misstatements whether due to fraud or error.
- Failure to create accurate and useful billing and collection reports prevents the School District from being able to properly reconcile receipts to the application software. This also prevents the School District from reconciling these outside applications to the Uniform School Accounting Software (USAS) used for the creation of the financial statements. Reconciling receipts and deposits to the applications software and the application software to the USAS system reduces the risk of misstatement due to error or fraud.
- Failure to maintain an audit trail report that identifies all entries and modifications made to transactions within the application by user increases the risk of fraud and does not allow management to hold employees accountable for activity within the application.

**Recommendation:** We recommend the School District implement programming changes to address the deficiencies noted above. The School district should also evaluate the cost-benefit relationship of purchasing software applications that allow for effective controls and financial reporting.

**Management Response:** The Adult Education Program purchased ClassLink software on October 30, 2014 to provide accounting and student service software to address the issues in the audit. Research will be conducted with other Vocational Schools to determine what software is being used for student fee billing and receiving. The software that the Medina County Career Center selects will need to be compatible with Powerschool which is our student software that handles gradebook and demographics etc. The fee program should be compatible to link the applicable fees with the individual programs. The intent would be to have new student fee software in place before the 2015-2016 school year.

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# Dave Yost • Auditor of State

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 30, 2014**