

***AUBURN VOCATIONAL SCHOOL
DISTRICT***

LAKE COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED: JUNE 30, 2015



Dave Yost • Auditor of State

Board of Education
Auburn Vocational School District
8140 Auburn Road
Concord Township, Ohio 44077

We have reviewed the *Independent Auditor's Report* of the Auburn Vocational School District, Lake County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Auburn 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 30, 2015

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

	Page
Table of Contents	1
Independent Auditor’s Report	3
Management’s Discussion and Analysis	5
Statement of Net Position.....	16
Statement of Activities	17
Balance Sheet – Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) Basis and Actual – General Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) Basis and Actual – Adult Education Fund	23
Statement of Fiduciary Net Position – Fiduciary Funds.....	24
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability	62
Schedule of the School District Contributions	63
Notes to Required Supplementary Information.....	64

INDEPENDENT AUDITOR'S REPORT

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons from the General Fund and Adult Education Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension information listed in the table of contents 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 19, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 19, 2015

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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

Financial Highlights

Key financial highlights for 2015 are as follows:

In total, net position decreased by \$36,986.

Revenues for governmental activities totaled \$11,627,552 in 2015. Of this total, 71.6 percent consisted of general revenues while program revenues accounted for the remaining balance of 28.4 percent.

Program expenses totaled \$11,664,538. Instructional expenses made up 45.4 percent of this total while support services accounted for 51.1 percent. Other expenses rounded out the remaining 3.5 percent.

Using the Basic Financial Statements

This annual report consists of a series of financial statements, notes pertaining to those statements, and the required supplementary information. These statements are organized so the reader can understand the District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate and long-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund and the adult education special revenue fund are the most significant.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question, "How did we do financially during 2015?" *The Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all non-fiduciary assets, liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies.

Accrual accounting takes into account all the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's performance, demographic and socioeconomic factors and willingness of the community to support the District. On the other hand, financial factors may include the District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the *Statement of Net Position* and the *Statement of Activities*, the District is classified into governmental activities. All of the District's programs and services are reported here including instruction, support services and operation of non-instructional services.

Reporting the District's Most Significant Funds

Fund Financial Statements – The analysis of the District's major fund begins on page 18. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general, and adult education funds.

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

The District as a Whole

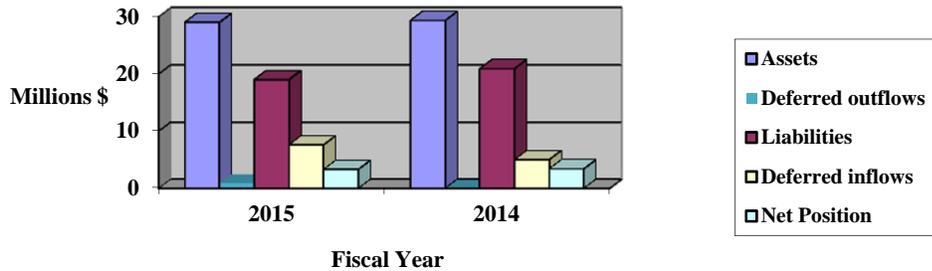
The Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

**Table 1
Net Position
Governmental Activities**

	<u>2015</u>	Restated <u>2014</u>	Increase/ <u>(Decrease)</u>
Assets			
Current and other assets	\$ 11,111,812	\$ 11,345,135	\$ (233,323)
Capital assets, net	<u>17,931,394</u>	<u>17,986,592</u>	<u>(55,198)</u>
Total assets	<u>29,043,206</u>	<u>29,331,727</u>	<u>(288,521)</u>
Deferred outflows of resources			
Pension	<u>912,639</u>	<u>752,671</u>	<u>159,968</u>
Liabilities			
Current liabilities	906,094	760,484	145,610
Long term liabilities			
Due within one year	441,192	424,055	17,137
Due in more than one year:			
Net pension liability	12,851,427	15,267,621	(2,416,194)
Other liability	<u>4,827,337</u>	<u>5,209,474</u>	<u>(382,137)</u>
Total liabilities	<u>19,026,050</u>	<u>21,661,634</u>	<u>(2,635,584)</u>
Deferred inflows of resources			
Property taxes	5,239,440	5,015,579	223,861
Pension	<u>2,320,156</u>	<u>-</u>	<u>2,320,156</u>
Total deferred inflows of resources	<u>7,559,596</u>	<u>5,015,579</u>	<u>2,544,017</u>
Net Position			
Net investment in capital assets	13,282,763	12,990,369	292,394
Restricted for:			
Other purposes	139,328	67,443	71,885
Unrestricted	<u>(10,051,892)</u>	<u>(9,650,627)</u>	<u>(401,265)</u>
Total net position	<u>\$ 3,370,199</u>	<u>\$ 3,407,185</u>	<u>\$ (36,986)</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Net Position Governmental Activities



During 2015, the District adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. Users of this financial statement will gain a clearer understanding of the District’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. This implementation also had the effect of restating net position at June 30, 2014, from \$17,922,135 to 3,407,185. See Note 3 to the basic financial statements for further discussion on the implementation of GASB 68.

The District’s statement of activities prepared on an accrual basis of accounting includes an annual pension expense for their proportionate share of each plan’s change in net pension liability not accounted for as deferred inflows/outflows.

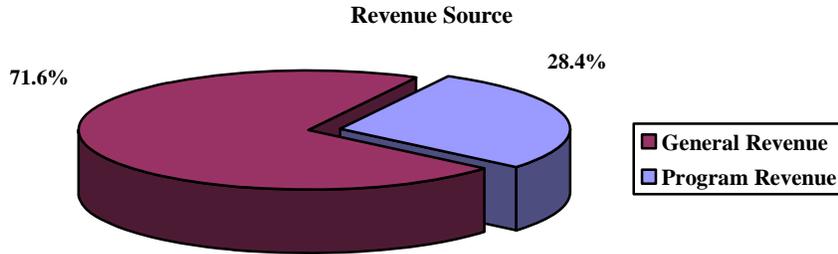
The District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position. Table 2 shows the changes in net position for fiscal year 2015 as compared to fiscal year 2014.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

**Table 2
Governmental Activities**

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,882,748	\$ 1,816,003
Operating grants, and contributions	<u>1,417,217</u>	<u>1,033,090</u>
Total program revenues	<u>3,299,965</u>	<u>2,849,093</u>
General revenue:		
Property taxes	5,497,572	6,075,808
Grants and entitlements	2,781,781	2,746,441
Investment earnings	5,668	5,909
Miscellaneous	<u>42,566</u>	<u>30,605</u>
Total general revenues	<u>8,327,587</u>	<u>8,858,763</u>
Total program and general revenues	<u>11,627,552</u>	<u>11,707,856</u>
Program expenses		
Instruction:		
Special	397,465	564,828
Vocational	3,801,555	3,973,819
Adult continuing	1,098,733	1,254,081
Support services:		
Pupil	1,186,728	1,238,300
Instructional staff	215,631	183,368
Board of education	163,642	166,423
Administration	1,394,560	1,285,578
Fiscal	543,029	498,683
Business	147	98
Operation and maintenance of plant	1,861,478	1,653,025
Pupil transportation	18,464	7,333
Central	581,633	449,857
Operation of non-instructional services	245,935	208,415
Extracurricular activities	7,205	8,040
Interest and fiscal charges	<u>148,333</u>	<u>157,629</u>
Total program expenses	<u>11,664,538</u>	<u>11,649,477</u>
Increase (decrease) in net position	<u>\$ (36,986)</u>	<u>\$ 58,379</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**



Governmental Activities

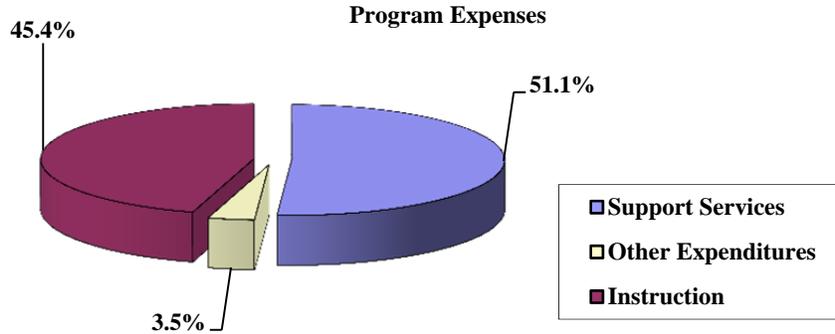
Net position of the District's governmental activities decreased \$36,986. Total governmental expenses of \$11,664,538 were partially offset by program revenues of \$3,299,965 and general revenues of \$8,327,587. Program revenues supported 28.4% of the total governmental expenses.

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$5.4 million in 2015. General revenues from grants and entitlements, such as the school foundation program, generated over \$2.7 million. With the combination of taxes and intergovernmental funding comprising approximately 71.2% of all revenues, the District monitors both of these revenue sources very closely for fluctuations.

The District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In October of 2015, the District submitted its yearly five-year forecast to the Ohio Department of Education. Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Approximately 45.4 percent of the District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 51.1 percent. The remaining program expenses of 3.5 percent are budgeted to facilitate other obligations of the District, such as the food service program, numerous extracurricular activities and uniform school supplies.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**



The Statement of Activities shows the total net cost of program services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Local property taxes directly support 47.1 percent of expenses. Grants and entitlements not restricted to specific programs support 23.8 percent, while investments and other miscellaneous type revenues support the remaining activity costs. Program revenues fund only 28.3 percent of all governmental expenses.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$752,671 calculated under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$535,733. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 11,664,538
Pension expense under GASB 68	(535,733)
2015 contractually required contribution	791,739
Adjusted 2015 program expenses	<u>11,920,544</u>
Total 2014 program expenses under GASB 27	<u>11,649,477</u>
Increase in program expenses not related to pension	<u>\$ 271,067</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

As a result of GASB 68, the District is reporting a significant net pension liability and related deferred inflows of resources which reduce net position. In addition, the District is reporting deferred outflows of resources and a reduction of expenses related to pension for this fiscal year, which increase net position. This expense amount is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. These two amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of this new accounting standard on the District's net position, additional information is presented below.

Net position	\$ 3,370,199
Deferred outflows - pension	(912,639)
Deferred inflows - pension	2,320,156
Net pension liability	<u>12,851,427</u>
Net position without new standard	<u>\$ 17,629,143</u>
Impact of GASB 68 on net position end of year	\$ (14,258,944)
Pension expense under GASB 68	535,733
Contractually required contribution	<u>(791,739)</u>
Impact of GASB 68 on net position beginning of year	<u>\$ (14,514,950)</u>

District funds

Information regarding the District's major funds can be found on pages 18-21. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,034,402 and expenditures of \$12,231,163. The net change in fund balances for the year was as follows: general fund (\$764,079), adult education \$168,757 and other governmental funds \$398,561.

General fund budgeting highlights

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

During the course of the fiscal year 2015, the District amended the general fund's budgeted expenditures for an insignificant amount. Fluctuations among the budget base expenditure categories are due to the District's site-based style of budgeting that is designed to tightly control expenses but provide flexibility for managers to redirect funds as conditions develop during the year.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

For the general fund, the final budget basis revenue and other financing sources estimate was \$9,479,828, which was higher than the original budget estimate of \$8,481,679. The actual revenues and other sources received were \$9,504,610, which was \$1,022,931 more than originally anticipated.

Actual expenditures and other financing uses for the year were \$10,319,960 or 17.9 percent under general fund original budget projections. The decrease was due to lower than anticipated expenditures and management controls to reduce the expenditures.

Capital Assets

All capital assets, except land and construction in progress, are reported net of depreciation. At the end of fiscal 2015, the District had \$17,931,394 invested in land, construction in progress, land improvements, building and improvements, furniture and equipment and vehicles. Table 3 shows fiscal 2015 values compared to 2014.

**Table 3
Capital Assets**

	<u>2015</u>	<u>2014</u>
Governmental Activities		
Land and construction in progress	\$ 2,698,018	\$ 3,911,260
Land improvements	329,006	371,158
Building and improvements	13,719,338	12,536,326
Furniture and equipment	1,156,803	1,125,737
Vehicles	<u>28,229</u>	<u>42,111</u>
Total capital assets	<u>\$ 17,931,394</u>	<u>\$ 17,986,592</u>

For the fiscal year 2015, the District acquired several new pieces of equipment and a new industrial arts building. See notes to the basic financial statements for detail on the District's capital assets.

Debt

At June 30, 2015, the District had \$4,648,631 in bonds and capital leases outstanding with \$358,492 due within one year. Table 4 summarizes the bonds outstanding:

**Table 4
Outstanding Debt, at Fiscal Year End
Governmental Activities**

	<u>2015</u>	<u>2014</u>
School improvement bonds	\$ 4,585,000	\$ 4,915,000
Capital leases	<u>63,631</u>	<u>81,223</u>
Total outstanding	<u>\$ 4,648,631</u>	<u>\$ 4,996,223</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

See notes to the basic financial statements for detail on the District's debt.

District Outlook

The District has a strong financial position. The Board of Education and the administration closely monitor the District's revenues and expenditures in accordance with its financial forecast and the District's Continuous Improvement Plan.

The District's financial future is not without challenges, though. The nature of school funding in Ohio severely restricts the growth in the District's operating revenues and requires the District to periodically seek additional funds from the taxpayers to offset rising operating costs.

In addition, the problem of limited growth in revenue, school districts are faced with the challenge of losing traditional sources of tax revenue through the Ohio General Assembly legislative actions.

Financial aid from the State of Ohio through the State Foundation Program has not been a major source of operating revenue for the District. Because the District is considered a wealthy district in terms of property values, it receives a relatively small amount of revenue from the State to fund operating expenses.

As a result of the challenges mentioned above, the District's administration and the District Finance Committee continue to carefully plan its expenditures to provide adequate resources to meet student needs over the next several years. The administration and the District's Task Force is currently reviewing all programs and services provided to students with the goal of reducing operating costs.

Contacting the District's Financial Management

This report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sherry Williamson, Treasurer, at Auburn Vocational School District, 8140 Auburn Road, Concord Township, Ohio 44077.

This page is intentionally left blank.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 4,565,216
Receivables:	
Taxes	6,117,489
Accounts	26,901
Intergovernmental	16,157
Accrued interest	2,746
Prepaid items	32,779
Inventory held for resale	168,025
Materials and supplies inventory	8,418
Property held for resale	174,081
Capital assets:	
Land and construction in progress	2,698,018
Depreciable capital assets	29,988,028
Accumulated depreciation	(14,754,652)
Total net capital assets	17,931,394
Total assets	29,043,206
 <u>Deferred outflows of resources:</u>	
Pension	912,639
 <u>Liabilities:</u>	
Accounts payable	68,833
Contracts payable	266,874
Accrued wages	404,530
Intergovernmental payable	113,489
Accrued interest payable	11,308
Matured compensated absences payable	41,060
Long-term liabilities:	
Due within one year	441,192
Due in more than one year:	
Net pension liability	12,851,427
Other amounts due in more than one year	4,827,337
Total liabilities	19,026,050
 <u>Deferred inflows of resources:</u>	
Property taxes	5,239,440
Pension	2,320,156
Total deferred inflows of resources	7,559,596
 <u>Net position:</u>	
Net investment in capital assets	13,282,763
Restricted for:	
Other purposes	139,328
Unrestricted	(10,051,892)
Total net position	\$ 3,370,199

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction:				
Special	\$ 397,465	\$ -	\$ -	\$ (397,465)
Vocational	3,801,555	115,412	760,938	(2,925,205)
Adult/continuing	1,098,733	883,569	411,913	196,749
Support services:				
Pupils	1,186,728	218,899	77,559	(890,270)
Instructional staff	215,631	-	87,661	(127,970)
Board of education	163,642	-	-	(163,642)
Administration	1,394,560	314,791	-	(1,079,769)
Fiscal	543,029	28,400	-	(514,629)
Business	147	-	-	(147)
Operation and maintenance of plant	1,861,478	250,438	16,780	(1,594,260)
Pupil transportation	18,464	-	-	(18,464)
Central	581,633	-	9,607	(572,026)
Operation of non-instructional services	245,935	71,239	52,759	(121,937)
Extracurricular activities	7,205	-	-	(7,205)
Interest and fiscal charges	148,333	-	-	(148,333)
Total governmental activities	\$ 11,664,538	\$ 1,882,748	\$ 1,417,217	(8,364,573)

General Revenues:

Property taxes levied for:

General purposes	5,022,084
Debt service	475,488
Grants and entitlements not restricted to specific programs	2,781,781
Investment earnings	5,668
Miscellaneous	42,566
Total general revenues	8,327,587

Change in net position (36,986)

Net position at beginning of year, restated 3,407,185

Net position at end of year \$ 3,370,199

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
<u>Current assets:</u>				
Equity in pooled cash and cash equivalents	\$ 4,219,829	\$ 202,399	\$ 142,988	\$ 4,565,216
Receivables:				
Taxes	6,117,489	-	-	6,117,489
Accounts	13,177	12,400	1,324	26,901
Intergovernmental	-	-	16,157	16,157
Advances to other funds	9,503	-	-	9,503
Accrued interest	2,746	-	-	2,746
Prepaid items	10,564	2,122	20,093	32,779
Inventory held for resale	165,205	-	2,820	168,025
Materials and supplies inventory	8,418	-	-	8,418
Total current assets	<u>10,546,931</u>	<u>216,921</u>	<u>183,382</u>	<u>10,947,234</u>
<u>Noncurrent assets:</u>				
Advances to other funds	1,250,000	-	-	1,250,000
Total assets	<u>\$ 11,796,931</u>	<u>\$ 216,921</u>	<u>\$ 183,382</u>	<u>\$ 12,197,234</u>
<u>Liabilities, deferred inflows of resources</u> <u>and fund balances:</u>				
<u>Current liabilities:</u>				
Accounts payable	\$ 52,441	\$ 14,323	\$ 2,069	\$ 68,833
Accrued wages	368,895	28,395	7,240	404,530
Advances from other funds	-	-	9,503	9,503
Contracts payable	245,909	-	20,965	266,874
Intergovernmental payable	77,922	30,347	5,220	113,489
Matured compensated absences payable	41,060	-	-	41,060
Total current liabilities	<u>786,227</u>	<u>73,065</u>	<u>44,997</u>	<u>904,289</u>
<u>Noncurrent liabilities:</u>				
Advances from other funds	-	1,250,000	-	1,250,000
Total liabilities	<u>786,227</u>	<u>1,323,065</u>	<u>44,997</u>	<u>2,154,289</u>
<u>Deferred inflows of resources:</u>				
Property taxes	5,239,440	-	-	5,239,440
Unavailable revenue - delinquent property taxes	245,260	-	-	245,260
Unavailable revenue - other	-	6,723	-	6,723
Total deferred inflows of resources	<u>5,484,700</u>	<u>6,723</u>	<u>-</u>	<u>5,491,423</u>
<u>Fund balances:</u>				
Nonspendable	1,434,187	2,122	20,093	1,456,402
Restricted	-	-	119,785	119,785
Assigned	416,230	-	1,477	417,707
Unassigned	3,675,587	(1,114,989)	(2,970)	2,557,628
Total fund balances	<u>5,526,004</u>	<u>(1,112,867)</u>	<u>138,385</u>	<u>4,551,522</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,796,931</u>	<u>\$ 216,921</u>	<u>\$ 183,382</u>	<u>\$ 12,197,234</u>

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total governmental funds balances		\$ 4,551,522
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and land held for resale used in governmental activities are not financial resources and therefore are not reported in the funds.		18,105,475
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 245,260	
Intergovernmental	6,723	
Total		251,983
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	\$ 912,639	
Deferred inflows - pension	(2,320,156)	
Net pension liability	(12,851,427)	
Total		(14,258,944)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (4,585,000)	
Compensated absences	(619,898)	
Capital leases	(63,631)	
Accrued interest payable	(11,308)	
Total		(5,279,837)
Net position of governmental activities		\$ 3,370,199

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 5,407,981	\$ -	\$ 475,488	\$ 5,883,469
Intergovernmental	2,793,653	293,639	1,125,872	4,213,164
Interest	5,668	-	-	5,668
Tuition and fees	52,088	1,439,341	-	1,491,429
Gifts and donations	10,010	-	3,500	13,510
Charges for services	74,589	-	71,239	145,828
Rent	114,723	-	-	114,723
Miscellaneous	43,958	38,853	83,800	166,611
Total revenues	<u>8,502,670</u>	<u>1,771,833</u>	<u>1,759,899</u>	<u>12,034,402</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	424,968	-	-	424,968
Vocational	3,225,767	-	236,909	3,462,676
Adult/continuing	248	985,047	155,828	1,141,123
Support services:				
Pupils	961,157	164,843	84,266	1,210,266
Instructional staff	14,368	-	85,900	100,268
Board of education	164,216	-	-	164,216
Administration	1,130,414	314,489	-	1,444,903
Fiscal	506,308	28,312	-	534,620
Business	147	-	-	147
Operation and maintenance of plant	1,340,755	110,385	61,757	1,512,897
Pupil transportation	18,151	-	-	18,151
Central	543,166	-	10,143	553,309
Operation of non-instructional services	34,389	-	217,587	251,976
Extracurricular activities	7,477	-	-	7,477
Capital outlay	409,222	-	498,202	907,424
Debt service:				
Principal retirement	17,592	-	330,000	347,592
Interest and fiscal charges	3,662	-	145,488	149,150
Total expenditures	<u>8,802,007</u>	<u>1,603,076</u>	<u>1,826,080</u>	<u>12,231,163</u>
Excess of revenues over (under) expenditures	<u>(299,337)</u>	<u>168,757</u>	<u>(66,181)</u>	<u>(196,761)</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	-	464,742	464,742
Transfers out	(464,742)	-	-	(464,742)
Total other financing sources (uses)	<u>(464,742)</u>	<u>-</u>	<u>464,742</u>	<u>-</u>
Net change in fund balances	(764,079)	168,757	398,561	(196,761)
Fund balances at beginning of year	<u>6,290,083</u>	<u>(1,281,624)</u>	<u>(260,176)</u>	<u>4,748,283</u>
Fund balances at end of year	<u>\$ 5,526,004</u>	<u>\$ (1,112,867)</u>	<u>\$ 138,385</u>	<u>\$ 4,551,522</u>

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$ (196,761)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 907,424	
Depreciation expense	(962,622)	
Excess of depreciation expense and over capital asset additions and land held for resale		(55,198)

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

These activities consist of:

Property taxes	\$ (385,897)	
Intergovernmental	(27,676)	
Miscellaneous	6,723	
Net change in deferred inflows of resources during the year		(406,850)

Contractually required pension contributions are reported as expenditures in the governmental funds however, the statement of activities reports these amounts as deferred outflows. 791,739

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (535,733)

Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 347,592

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	\$ 17,408	
Decrease in accrued interest	817	
Total reduced expenditures		18,225

Change in net position of governmental activities \$ (36,986)

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,570,104	\$ 5,798,680	\$ 5,798,680	\$ -
Intergovernmental	2,683,531	2,793,653	2,793,653	-
Interest	5,294	5,513	5,564	51
Tuition and fees	50,236	52,201	52,201	-
Gifts and donations	9,615	10,010	10,010	-
Charges for services	38,415	71,227	74,944	3,717
Rent	102,813	107,073	108,073	1,000
Miscellaneous	21,671	24,003	24,030	27
Total revenues	8,481,679	8,862,360	8,867,155	4,795
Expenditures:				
Current:				
Instruction:				
Special	2,258,163	437,349	437,349	-
Vocational	3,524,493	3,365,689	3,365,689	-
Support services:				
Pupils	882,308	948,856	948,856	-
Instructional staff	11,412	14,381	14,381	-
Board of education	171,586	308,514	308,514	-
Administration	987,740	1,202,399	1,202,399	-
Fiscal	330,807	509,443	509,443	-
Business	98	147	147	-
Operation and maintenance of plant	1,255,397	1,409,161	1,409,161	-
Pupil transportation	6,708	18,205	18,205	-
Central	393,271	550,166	550,166	-
Operation of non-instructional services	37,867	86,509	90,260	(3,751)
Extracurricular activities	8,044	7,499	7,499	-
Capital outlay	326,223	422,494	422,494	-
Total expenditures	10,194,117	9,280,812	9,284,563	(3,751)
Excess of revenues under expenditures	(1,712,438)	(418,452)	(417,408)	1,044
Other financing sources (uses):				
Proceeds from the sale of capital assets	-	775	775	-
Refund of prior year expenditures	-	56,029	56,029	-
Other financing sources	-	-	19,987	19,987
Other financing uses	(16,987)	-	-	-
Advances in	-	500,000	500,000	-
Advances out	(565,000)	(9,503)	(9,503)	-
Transfers in	-	60,664	60,664	-
Transfers out	(1,387,621)	(1,025,894)	(1,025,894)	-
Total other financing sources (uses)	(1,969,608)	(417,929)	(397,942)	19,987
Net change in fund balance	(3,682,046)	(836,381)	(815,350)	21,031
Fund balances at beginning of year	4,331,221	4,331,221	4,331,221	-
Prior year encumbrances appropriated	91,725	91,725	91,725	-
Fund balances at end of year	\$ 740,900	\$ 3,586,565	\$ 3,607,596	\$ 21,031

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
ADULT EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	\$ 538,702	\$ 293,639	\$ 293,639	\$ -
Tuition and fees	2,598,056	1,396,820	1,439,341	42,521
Miscellaneous	94,472	51,412	51,595	183
Total revenues	<u>3,231,230</u>	<u>1,741,871</u>	<u>1,784,575</u>	<u>42,704</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Adult/continuing	1,141,198	1,034,804	1,021,114	13,690
Support services:				
Pupils	256,524	172,329	172,316	13
Administration	299,829	319,214	319,172	42
Fiscal	17,866	28,400	28,400	-
Operation and maintenance of plant	26,990	91,346	91,346	-
Total expenditures	<u>1,742,407</u>	<u>1,646,093</u>	<u>1,632,348</u>	<u>13,745</u>
Excess of revenues over expenditures	<u>1,488,823</u>	<u>95,778</u>	<u>152,227</u>	<u>56,449</u>
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	770	770	770	-
Other financing uses	(22,728)	-	-	-
Advances out	(125,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>(146,958)</u>	<u>(99,230)</u>	<u>(99,230)</u>	<u>-</u>
Net change in fund balance	1,341,865	(3,452)	52,997	56,449
Fund balances at beginning of year	85,210	85,210	85,210	-
Prior year encumbrances appropriated	40,135	40,135	40,135	-
Fund balances at end of year	<u>\$ 1,467,210</u>	<u>\$ 121,893</u>	<u>\$ 178,342</u>	<u>\$ 56,449</u>

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY FUNDS
AGENCY FUND
JUNE 30, 2015

	Agency
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 97,029
Total assets	\$ 97,029
<u>Liabilities:</u>	
Accounts payable	\$ 1,119
Intergovernmental payable	2,000
Due to students	93,910
Total liabilities	\$ 97,029

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Description of the District and Reporting Entity

The Auburn Vocational School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Auburn Vocational School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. This District operates under an elected Board of Education (11 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of June 30, 2015 was 584. The District employed 59 certificated employees and 30 non-certificated employees.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements are not misleading. The primary government of the District consists of only the funds of those organizational entities for which its elected governing body is financially accountable. For the District, this includes education, pupil transportation, food service and maintenance of the District facilities.

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

The District participates in two jointly governed organizations, a claims servicing pool and an insurance purchasing pool. These organizations are the Ohio Schools Council, the Ohio School Boards Association Workers’ Compensation Group Retrospective Rating Program, the Lake-Geauga Computer Association and Health Care Benefits Program of Lake County Schools Council. These organizations are discussed in Notes 11, 15 and 16 to the basic financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Auburn Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. For fiscal year 2015, the District has no proprietary funds.

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 are the District’s major governmental funds:

General Fund – The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Adult Education Fund – The adult education special revenue fund is used to account for grants and tuition associated with providing education to adults.

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

Fiduciary Fund – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are, therefore, not available to support the District’s own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District’s only fiduciary fund is an agency fund which 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

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

Revenues – Exchange and Nonexchange 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from 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, fees and rentals.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance the fiscal year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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 Investments

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

During fiscal year 2015, investments were limited to STAR Ohio, and certificates of deposit. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts are reported at cost.

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

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year 2015 amounted to \$5,668 in the general fund, which includes \$695 assigned from other governmental funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months, not purchased from the pool, are reported as investments.

F. Restricted Assets

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used.

Inventories consist of donated foods, purchased foods, school supplies and homes being built by students held for resale and material and supplies for consumption.

I. Capital Assets

All capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They 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 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. 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.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Building and building improvements	10 - 50 years
Furniture and equipment	5 - 10 years
Vehicles	10 years
Library and text books	6 years

J. Net pension liability and pension expense

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

The current accounting standard requires School District's to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. Under the new standards, the net pension liability equals the District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the District. However, the District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

There is no repayment schedule for the net pension liability. The District has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

K. 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 District 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 payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, once incurred, are paid in a timely manner and in full from current financial resources, and 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 year.

M. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

N. Fund Balance

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

Nonspendable 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 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 fund balance classifications are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. 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 District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. 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 fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

O. Interfund Activity

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting.

The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels.

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

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

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 3 – Change in Accounting Principle and Restatement of Net Position

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

Net position June 30, 2014	\$17,922,135
Adjustments:	
Net pension liability	(15,267,621)
Deferred outflow - payments subsequent to measurement date	<u>752,671</u>
Restated net position June 30, 2014	<u><u>\$3,407,185</u></u>

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

Note 4 – Fund Balances

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Fund Balances	General	Adult Education	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>				
Materials and supplies inventory	\$ 8,418	\$ 2,122	\$ -	\$ 10,540
Inventory held for resale	165,205	-	-	165,205
Prepays	10,564	-	20,093	30,657
Long term advances	1,250,000	-	-	1,250,000
Total nonspendable	1,434,187	2,122	20,093	1,456,402
<u>Restricted for</u>				
Vocational instruction	-	-	119,785	119,785
<u>Assigned</u>				
Customer services	91,780	-	-	91,780
Uniform school supplies	10,197	-	-	10,197
Public school support	1,550	-	-	1,550
Permanent improvements	-	-	1,477	1,477
Encumbrances	312,703	-	-	312,703
Total assigned	416,230	-	1,477	417,707
Unassigned (deficit)	3,675,587	(1,114,989)	(2,970)	2,557,628
Total fund balances	\$ 5,526,004	\$ (1,112,867)	\$ 138,385	\$ 4,551,522

Note 5 – Accountability

The following funds had a deficit fund balance as of June 30, 2015:

	<u>Amount</u>
Special revenue funds:	
Adult education	\$ 1,112,867
Food service	173
Adult basic education	2,247

The general fund is responsible to cover deficit fund balances by means of a transfer or advance. However, this is done when cash is needed rather than when accruals occur.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 6 – Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Balances – Budget (Non-GAAP Basis) and Actual presented for the general fund and the adult education special revenue fund are presented 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 as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned or restricted fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

	Net Change in Fund Balance	
	<u>General</u>	Adult <u>Education</u>
GAAP basis	\$ (764,079)	\$ 168,757
Revenue accruals	501,940	13,512
Advances in	500,000	-
Expenditure accruals	(451,635)	(5,215)
Advances out	(9,503)	(100,000)
Budgeted as part of special revenue funds:		
Transfers to/from general fund	(25,000)	-
Expenditures	31,892	-
Encumbrances (Budget Basis) outstanding at year end	<u>(598,965)</u>	<u>(24,057)</u>
Budget basis	<u>\$ (815,350)</u>	<u>\$ 52,997</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 7 – Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing within five years from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. 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.

Cash on hand – At fiscal year end, the District had \$687 in undeposited cash on hand, which is included in the balance sheet of the District as part of equity in pooled cash and cash equivalents.

Deposits

At June 30, 2015, the carrying amount of the District's deposits was \$3,774,697. The District's bank balance of \$3,942,581 was not exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in the amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or a specific collateral held at the Federal Reserve Bank in the name of the District.

Investments

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

	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
STAR Ohio	\$ 886,861	53.4 ⁽²⁾	AAAm ⁽¹⁾
Total	\$ 886,861		

⁽¹⁾ Standard and Poor's rating

⁽²⁾ Days (Average)

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Interest Rate Risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in investments so that the securities mature to meet cash requirements for ongoing operations and long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than four years.

Credit Risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio also carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 8 – Property Taxes

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

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

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

The amount available as an advance at June 30, 2015, was \$632,789 in the general fund. The amount available as an advance at June 30, 2014, was \$548,000 in the general fund.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

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

	Lake <u>County</u>	Geauga <u>County</u>	Trumbull <u>County</u>
Real property - 2014 valuations			
Residential/agricultural	\$ 1,738,810,900	\$ 1,762,935,480	\$ 3,705,920
Other	320,925,620	294,974,490	102,280
Tangible personal property			
Public utilities	<u>224,355,340</u>	<u>57,263,400</u>	<u>-</u>
Total	<u>\$ 2,284,091,860</u>	<u>\$ 2,115,173,370</u>	<u>\$ 3,808,200</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 1.50	 \$ 1.50	 \$ 1.50

Note 9 – Receivables

Receivables at June 30, 2015 consisted of taxes, accounts, accrued interest, 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. All receivables are expected to be collected within one year. The following is a summary of the intergovernmental receivables.

	<u>Amount</u>
Governmental activities:	
Adult basic education	\$ 14,555
Improving teacher quality	<u>1,602</u>
Total intergovernmental receivables	<u>\$ 16,157</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 10 – Capital Assets and Property Held for Resale

A. Capital Assets

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

	Balance June 30, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,089,087	\$ -	\$ -	\$ 2,089,087
Construction in progress	1,822,173	608,931	(1,822,173)	608,931
Total capital assets, not being depreciated	<u>3,911,260</u>	<u>608,931</u>	<u>(1,822,173)</u>	<u>2,698,018</u>
Capital assets, being depreciated				
Land improvements	1,065,286	-	-	1,065,286
Building and building improvements	20,605,663	1,864,577	-	22,470,240
Furniture and equipment	5,992,094	256,089	(44,620)	6,203,563
Vehicle	164,931	-	-	164,931
Library and text books	84,008	-	-	84,008
Total capital assets being depreciated	<u>27,911,982</u>	<u>2,120,666</u>	<u>(44,620)</u>	<u>29,988,028</u>
Less accumulated depreciation				
Land improvements	(694,128)	(42,152)	-	(736,280)
Building and building improvements	(8,069,337)	(681,565)	-	(8,750,902)
Furniture and equipment	(4,866,357)	(225,023)	44,620	(5,046,760)
Vehicle	(122,820)	(13,882)	-	(136,702)
Library and text books	(84,008)	-	-	(84,008)
Total accumulated depreciation	<u>(13,836,650)</u>	<u>(962,622)</u>	<u>44,620</u>	<u>(14,754,652)</u>
Total capital assets being depreciated, net	<u>14,075,332</u>	<u>1,158,044</u>	<u>-</u>	<u>15,233,376</u>
Governmental activities capital assets, net	<u>\$ 17,986,592</u>	<u>\$ 1,766,975</u>	<u>\$ (1,822,173)</u>	<u>\$ 17,931,394</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$ 432,251
Adult education	6,108
Support services:	
Pupil	3,864
Instructional staff	115,466
Administration	2,387
Fiscal	155
Operation and maintenance of plant	361,516
Pupil transportation	313
Central	36,669
Operation of non-instructional services	<u>3,893</u>
Total depreciation expense	<u>\$ 962,622</u>

B. Property Held for Resale

Property held for resale of \$174,081 was purchased by the District for housing projects built by the District students. Proceeds from the sale of the land and house will be used for subsequent projects. The sale date of the property cannot be estimated, therefore is included as a long-term asset.

	Balance June 30, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
Governmental Activities				
Property held for resale	<u>\$ 174,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,081</u>

Note 11 – Risk Management

A. Property and Liability

The District has contracted with an independent third party for their property and casualty insurance program. The program includes property insurance (which includes flood, earthquake, inland marine, crime and boiler and machinery), general liability insurance with limits of \$1,000,000 each occurrence and \$2,000,000 aggregate and sexual misconduct and molestation insurance and school leaders E&O insurance with limits of \$1,000,000 each occurrence and aggregate. The auto liability insurance coverage has limits of \$1,000,000 combined single limit each accident. The District's property and casualty insurance program also has an umbrella liability insurance policy with limits of \$5,000,000 each occurrence and \$5,000,000 aggregate.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

The liability policy insures the District, the Board, the board members, administrators, employees, and volunteers with respect to their duties in connection with the District.

Settled claims have not exceeded the property and casualty coverage in any of the last three years. There has not been a reduction in coverage from the prior year.

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance rating pool. The intent of the GRRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRRP. 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 GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP 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 GRRP.

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

Note 12 – Defined Benefit Pension Plans

Net Pension Liability

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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

A. School Employee Retirement System

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

Age and service requirements for retirement are as follows:

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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

The District's contractually required contribution to SERS was \$182,572 for fiscal year 2015. Of this amount \$2,453 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

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

The District's contractually required contribution to STRS was \$609,167 for fiscal year 2015. Of this amount \$47,215 is reported as an intergovernmental payable.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$2,528,852	\$10,322,575	\$12,851,427
Proportion of the net pension liability	0.049968%	0.0424388%	
Pension expense	\$134,037	\$401,696	\$535,733

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 21,523	\$ 99,377	\$ 120,900
School District contributions subsequent to the measurement date	<u>182,572</u>	<u>609,167</u>	<u>791,739</u>
Total deferred outflows of resources	<u>\$ 204,095</u>	<u>\$ 708,544</u>	<u>\$ 912,639</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 410,440</u>	<u>\$ 1,909,716</u>	<u>\$ 2,320,156</u>

\$791,739 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal		<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Year				
2016	\$	(97,229)	\$ (452,585)	\$ (549,814)
2017		(97,229)	(452,585)	(549,814)
2018		(97,229)	(452,585)	(549,814)
2019		<u>(97,230)</u>	<u>(452,584)</u>	<u>(549,814)</u>
Total	\$	<u>(388,917)</u>	<u>\$ (1,810,339)</u>	<u>\$ (2,199,256)</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3.25 percent
Future salary increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Cash	1.00 %	0.00 %
US stocks	22.50	5.00
Non-US stocks	22.50	5.50
Fixed income	19.00	1.50
Private equity	10.00	10.00
Real assets	10.00	5.00
Multi-asset strategies	<u>15.00</u>	7.50
 Total	 <u>100.00 %</u>	

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

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

	1% Decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	\$ 3,607,920	\$2,528,852	\$1,621,262

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Assumptions - STRS

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

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

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

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

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Domestic equity	31.00 %	8.00 %
International equity	26.00	7.85
Alternatives	14.00	8.00
Fixed income	18.00	3.75
Real estate	10.00	6.75
Liquidity reserves	<u>1.00</u>	3.00
Total	<u><u>100.00</u></u> %	

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

	1% Decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	\$ 14,777,892	\$10,322,575	\$6,554,877

Note 13 – Postemployment Benefits

A. School Employee Retirement System

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

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$18,508.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$29,867, \$22,683, and \$21,704, respectively. For fiscal year 2015, 37.52 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$46,670, and \$46,756 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 14 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, an employee is paid for the accumulated sick days over 30 days up to a maximum of 300 accumulated sick days.

Note 15 – Jointly Governed Organizations

A. Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 200 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-five northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2015, the District paid the Council \$84,520 for natural gas purchases, and \$7,314 for membership fees, co-operative purchasing and other services. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

B. Lake-Geauga Computer Association

The Lake-Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. Each of the governments of these schools supports LGCA based on a per pupil charge. The degree of control exercised by any participating school district is limited to its representation on the Assembly. Continued existence of the LGCA Computer Center is not dependent on the District's continued participation. During fiscal year 2015, the District paid \$15,370 to LGCA. Financial information can be obtained from LGCA, 8221 Auburn Road, Painesville, OH 44077.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 16 – Claims Servicing Pool

The District participates in the Health Care Benefits Program of Lake County Schools Council (the Program), a claims servicing pool comprised of eleven Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five-member Board of Directors elected by the Program's assembly. The assembly elects officers for one-year terms to serve on the Board of Directors. The District pays a monthly contribution, which is placed in a common fund from which the claim payments are made for all participating school districts. Claims are paid for all participants regardless of claim flow. The program is operated as a full indemnity program with no financial liability (other than the monthly premiums) or risk to the District. The Program shall pay the run out of all claims for a withdrawing member. Any member that withdraws from the Program pursuant to the Program Agreement shall have no claim to the Program's assets. Financial information can be obtained from Mike Vaccariello, Treasurer, Madison Local School District, 1956 Red Bird Road, Madison, OH 44057.

Note 17 – Contingencies

A. Grants

The 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 District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The District is a party to legal proceedings. The District is of the opinion that the ultimate disposition of the claims will not have a material effect, if any, on the financial condition of the District.

C. School Foundation Adjustments

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 18 – Interfund Transactions

Interfund balances at June 30, 2015 consisted of the following:

Advances from the general fund to:	
Adult education	\$ 1,250,000
Nonmajor governmental funds	9,503

All balances 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, 2015, the \$9,503 interfund loan outstanding is anticipated to be repaid in fiscal year 2016. The \$1,350,000 interfund loans outstanding are classified as long-term and are anticipated to be repaid in equal installments over the next five years.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfers from the general fund to:	
Nonmajor governmental funds	\$ 464,742

Note 19 – Set-Asides

The District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Improvements Reserve
Set-aside reserve balance as of June 30, 2014	\$ -
Current year set-aside requirement	56,326
Current year offset	<u>(330,000)</u>
Total	<u>\$ (273,674)</u>
Set-aside balance as of June 30, 2015 and carried forward to future fiscal years	<u>\$ -</u>

Note 20 – Long-Term Obligations

Changes in long-term obligations of the District during fiscal year 2015 were as follows:

	<u>Outstanding June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2015</u>	<u>Amounts Due in One Year</u>
<u>General obligation bonds</u>					
2011 School Improvement bonds, 3.61%	\$ 2,340,000	\$ -	\$ (160,000)	\$ 2,180,000	\$ 165,000
2012 School Improvement bonds, 2.34%	2,025,000	-	(135,000)	1,890,000	140,000
2012 School Improvement bonds, Series B, 2.48%	<u>550,000</u>	<u>-</u>	<u>(35,000)</u>	<u>515,000</u>	<u>35,000</u>
Total general obligation bonds	<u>4,915,000</u>	<u>-</u>	<u>(330,000)</u>	<u>4,585,000</u>	<u>340,000</u>
<u>Other long-term obligations</u>					
Capital lease	81,223	-	(17,592)	63,631	18,492
Compensated absences	<u>637,306</u>	<u>64,560</u>	<u>(81,968)</u>	<u>619,898</u>	<u>82,700</u>
Total other long-term obligations	<u>718,529</u>	<u>64,560</u>	<u>(99,560)</u>	<u>683,529</u>	<u>101,192</u>
<u>Net pension liability</u>					
STRS	12,296,184	-	(1,973,609)	10,322,575	-
SERS	<u>2,971,437</u>	<u>-</u>	<u>(442,585)</u>	<u>2,528,852</u>	<u>-</u>
Total net pension liability	<u>15,267,621</u>	<u>-</u>	<u>(2,416,194)</u>	<u>12,851,427</u>	<u>-</u>
Total long-term obligations	<u>\$ 20,901,150</u>	<u>\$ 64,560</u>	<u>\$ (2,845,754)</u>	<u>\$ 18,119,956</u>	<u>\$ 441,192</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

General Obligation Bonds: General obligation bonds are direct obligations of the District for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the bond retirement debt service fund.

On July 20, 2011, the District issued \$2,800,000 in general obligation bonds which include serial bonds with an interest rate of 3.61% for the purpose of construction, renovating, rehabilitating and equipping school facilities, including installations, modifications and remodeling of school buildings to conserve energy.

In August 2012, the District issued \$2,300,000 in School Improvement Bonds for the purpose of constructing, renovating, rehabilitating, equipping and remodeling school facilities to conserve energy. The first payment on these bonds was due on December 1, 2012. These bonds are to be repaid from the debt service fund and are scheduled to mature in June, 2027.

In November 2012, the District issued \$600,000 in School Improvement Bonds for the purpose of constructing a new school facility for the District's industrial arts program. The first payment on the bonds was due on June 1, 2013. These bonds are to be repaid from the debt service fund and are scheduled to mature in June, 2027.

Compensated absences will be paid from the fund from which the employees' are paid.

The District pays pension obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to amortize all bonds outstanding at June 30, 2015 are as follows:

<u>School Improvement Bonds</u>			
Fiscal <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 340,000	\$ 135,696	\$ 475,696
2017	350,000	125,595	475,595
2018	365,000	115,190	480,190
2019	375,000	104,307	479,307
2020	380,000	93,127	473,127
2021-2025	2,085,000	287,613	2,372,613
2026-2027	690,000	24,722	714,722
Total	<u>\$ 4,585,000</u>	<u>\$ 886,250</u>	<u>\$ 5,471,250</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 21 – Capitalized Leases – Lessee Disclosure

During a prior fiscal year, the District entered into a capitalized lease agreement for the acquisition of copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$93,852, which is equal to the present value of the future minimum lease payments on the government-wide financial statements. Principal payments in the current fiscal year totaled \$17,592.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Fiscal <u>Year</u>	Lease <u>Payments</u>
2016	\$ 21,254
2017	21,254
2018	21,254
2019	<u>5,313</u>
Total minimum lease payments	69,075
Less: amount representing interest	<u>(5,444)</u>
Total	<u>\$ 63,631</u>

This page is intentionally left blank.

Required Supplementary Information

AUBURN VOCATIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TWO FISCAL YEARS (1)

	<u>2015</u>	<u>2014</u>
School Employees Retirement System (SERS) of Ohio		
School District's proportion of the net pension liability	0.049968%	0.049968%
School District's proportionate share of the net pension liability	\$ 2,528,852	\$ 2,971,437
School District's covered employee payroll	\$ 1,385,220	\$ 1,354,293
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	182.56%	219.41%
Plan fiduciary net position as a percentage of total pension liability	71.70%	65.52%
	<u>2015</u>	<u>2014</u>
State Teachers Retirement System (STRS) of Ohio		
School District's proportion of the net pension liability	0.0424388%	0.0424388%
School District's proportionate share of the net pension liability	\$ 10,322,575	\$ 12,296,184
School District's covered employee payroll	\$ 4,351,193	\$ 4,345,892
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	237.24%	282.94%
Plan fiduciary net position as a percentage of total pension liability	74.70%	69.30%

(1) Information prior to 2014 is not available and the amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year.

AUBURN VOCATIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
LAST THREE FISCAL YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School Employees Retirement System (SERS) of Ohio			
Contractually required contribution	\$ 182,572	\$ 187,705	\$ 173,497
Contributions in relation to contractually required contribution	<u>(182,572)</u>	<u>(187,705)</u>	<u>(173,497)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 1,385,220	\$ 1,354,293	\$ 1,253,591
Contributions as a percentage of covered employee payroll	13.18%	13.86%	13.84%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS) of Ohio			
Contractually required contribution	\$ 609,167	\$ 564,966	\$ 581,924
Contributions in relation to contractually required contribution	<u>(609,167)</u>	<u>(564,966)</u>	<u>(581,924)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 4,351,193	\$ 4,345,892	\$ 4,476,338
Contributions as a percentage of covered employee payroll	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available.

AUBURN VOCATIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

Auburn Vocational School District



Single Audit Reports

June 30, 2015

AUBURN VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$9,408	\$0	\$9,408	\$0
National School Lunch Program	3L60	10.555	38,784	3,757	38,784	3,757
Total Nutrition Cluster			<u>48,192</u>	<u>3,757</u>	<u>48,192</u>	<u>3,757</u>
Total U.S. Department of Agriculture			<u>48,192</u>	<u>3,757</u>	<u>48,192</u>	<u>3,757</u>
U.S. DEPARTMENT OF EDUCATION						
Direct Assistance:						
Rural Education Achievement Program	N/A	84.358	33,214	0	33,214	0
Student Financial Assistance Cluster:						
Federal Pell Grant Program	N/A	84.063	396,721	0	396,721	0
Federal Direct Student Loans	N/A	84.268	812,702	0	812,702	0
Total Student Financial Assistance Cluster			<u>1,209,423</u>	<u>0</u>	<u>1,209,423</u>	<u>0</u>
Passed Through Ohio Department of Education:						
Adult Education	AE15	84.002	235,997	0	264,298	0
Career and Technical Education	3L90	84.048	343,640	0	363,456	0
Improving Teacher Quality	3Y60	84.367	0	0	1,602	0
Total U.S Department of Education			<u>1,822,274</u>	<u>0</u>	<u>1,871,993</u>	<u>0</u>
Total Federal Assistance			<u>\$1,870,466</u>	<u>\$3,757</u>	<u>\$1,920,185</u>	<u>\$3,757</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

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*

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

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, each major fund, and the aggregate remaining fund information of Auburn Vocational School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2015, wherein we noted the District adopted GASB No. 68 and 71 as disclosed in Note 3.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 results 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 19, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

Report on Compliance for Each Major Federal Program

We have audited Auburn Vocational School District (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of

requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 19, 2015, which contained unmodified opinions on those financial statements, wherein we noted the District adopted GASB No. 68 and 71 as disclosed in Note 3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 19, 2015

AUBURN VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list):</i>	Student Financial Aid Cluster: Federal Pell Grant - CFDA# 84.063 Federal Direct Student Loans - CFDA# 84.268
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

AUBURN VOCATIONAL SCHOOL DISTRICT
June 30, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133

The Auburn Vocational School District had no prior audit findings or questioned costs.

This page intentionally left blank.



Dave Yost • Auditor of State

AUBURN VOCATIONAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 12, 2016**