LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Lorain County Joint Vocational School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Lorain County Joint Vocational School District, Lorain County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

March 10, 2020

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As management of the Lorain County Joint Vocational School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here, in conjunction with additional information we have provided in the notes to the basic financial statements and the basic financial statements to enhance their understanding of the School District's financial performance. This discussion and analysis of the School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The School District's basic financial statements are comprised of the four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information.

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net position increased by $ 3,542,612 in fiscal year 2019.
- General revenues accounted for $ 19,813,721 (86.4 percent) compared to $ 22,160,504 (87.3 percent) in the prior year. Program specific revenues in the form of charges for services, operating grants and contributions or capital grants and contributions accounted for $ 3,118,519 (13.6 percent) compared to $ 3,237,793 (12.7 percent) in the prior year. Total revenues for 2019 were $ 22,932,240, a decrease of $ 2,466,057 compared to the prior year.
- The School District had $ 19,389,628 in expenses related to governmental activities; only $ 3,118,519 of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues (primarily grants, entitlements and property taxes) of $ 19,813,721 were used to provide for these programs.

Using the Basic Financial Statements

This report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The major funds for the School District are the General Fund and the Capital Projects Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2019?"

The *Statement of Net Position* and *Statements of Activities*, which appear first in the School District's basic financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the *Statement of Net Position* and the *Statements of Activities*, the School District is combined into one activity:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

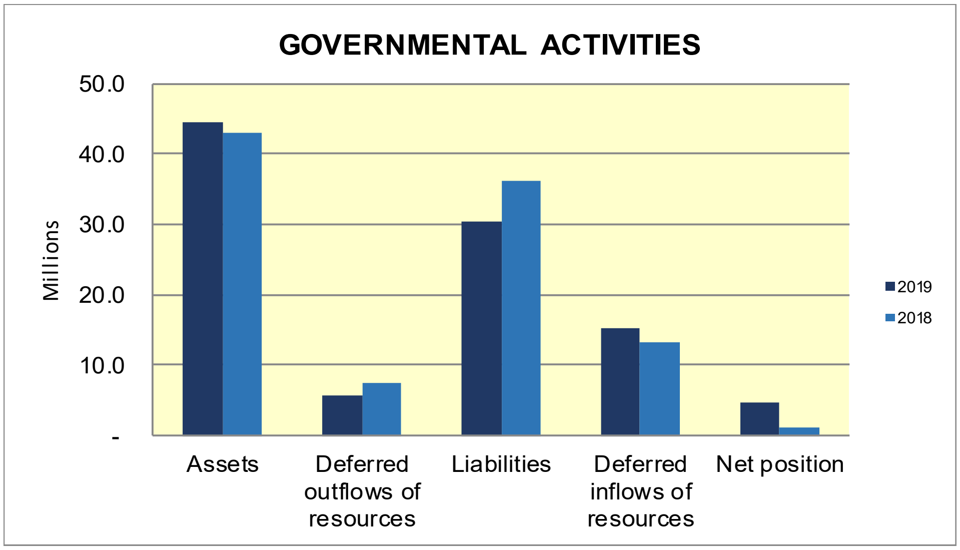
Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified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

The School District as a Whole

Table 1 provides a summary of the School District's net position for 2019 compared to 2018:

Table 1
Net Position

	2019	2018	Change
Assets			
Current and other assets	$ 23,656,615	$ 23,087,659	$ 568,956
Net OPEB asset	1,214,629	-	1,214,629
Capital assets, net	19,719,223	19,929,812	(210,589)
Total assets	44,590,467	43,017,471	1,572,996
Deferred outflows of resources	5,775,776	7,381,416	(1,605,640)
Liabilities			
Current liabilities	2,131,586	2,354,706	(223,120)
Long term liabilities			
Due within one year	529,048	583,350	(54,302)
Other amounts due in more than one year	4,662,335	4,914,650	(252,315)
Net pension liability	21,109,373	23,151,198	(2,041,825)
Net OPEB liability	2,099,620	5,134,343	(3,034,723)
Total liabilities	30,531,962	36,138,247	(5,606,285)
Deferred inflows of resources	15,232,074	13,201,045	2,031,029
Net position			
Net investment in capital assets	17,504,972	17,495,493	9,479
Restricted	1,713,332	95,417	1,617,915
Unrestricted	(14,616,097)	(16,531,315)	1,915,218
Total net position	$ 4,602,207	$ 1,059,595	$ 3,542,612



Total assets increased by $ 1,572,996. This was primarily due to the addition of a net OPEB asset and increases in taxes receivable and equity in pooled cash and equivalents which were offset by a decrease in capital assets. Total liabilities decreased $ 5,606,285 mainly because of decreases in accounts and contracts payable, long term liabilities and net pension and OPEB liabilities.

The net pension and OPEB liabilities are the largest single liabilities reported by the School District and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding the net OPEB asset plus deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 takes an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability (asset) to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but noes not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense (income) for their proportionate share of each plan's change in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows of resources.

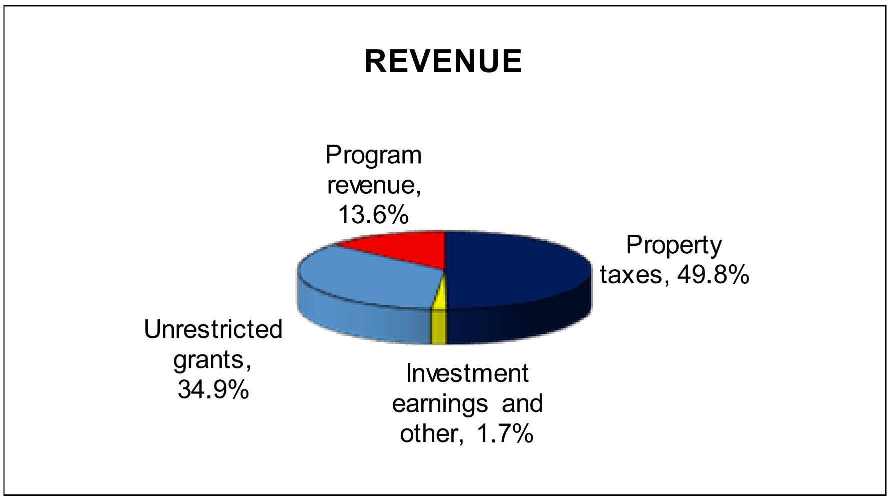
In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities. Table 2 shows the changes in net position for fiscal year 2019 as compared to fiscal year 2018.

Table 2
Changes in Net Position

	2019	2018	Change
Revenues			
Program revenues			
Charges for services and sales	$ 1,976,200	$ 2,061,528	$ (85,328)
Operating grants, interest and contributions	1,142,319	1,176,265	(33,946)
Total program revenues	3,118,519	3,237,793	(119,274)
General revenues			
Property taxes	11,418,398	13,679,581	(2,261,183)
Grants and entitlements			
not restricted to specific purposes	8,015,764	8,210,006	(194,242)
Investment earnings	105,702	65,624	40,078
Miscellaneous	273,857	205,293	68,564
Total general revenues	19,813,721	22,160,504	(2,346,783)
Total revenues	22,932,240	25,398,297	(2,466,057)
Program expenses			
Instruction	9,241,370	3,723,810	5,517,560
Supporting services	9,286,764	7,118,226	2,168,538
Operation of non-instructional services	428,348	412,679	15,669
Extracurricular activities	383,123	140,761	242,362
Interest	50,023	54,895	(4,872)
Total expenses	19,389,628	11,450,371	7,939,257
Change in net position	3,542,612	13,947,926	(10,405,314)
Net position at beginning of year, restated	1,059,595	(12,888,331)	13,947,926
Net position at end of year	$ 4,602,207	$ 1,059,595	$ 3,542,612

Governmental Activities

Several revenue sources fund our governmental activities with property taxes being the largest contributor; $ 11,418,398 or 49.8 percent. Grants and entitlements not restricted to a specific program of $ 8,015,764 made up 34.9 percent of revenues for governmental activities of the School District for fiscal year 2019. The remaining amounts of revenue were in the form of program revenues, which equated to $ 3,118,519 or 13.6 percent of total revenue and investment earning and miscellaneous revenues of $ 379,559 or 1.7 percent. Total revenue in 2019 decreased compared to 2018 by $ 2,466,057 which was mainly due to the availability and collection of taxes owed (advances and delinquents) as of June 30, 2019 versus June 30, 2018.



Total program expenses increased to $ 19,389,628 due to the effects of GASB 68 and GASB 75. The impact of these two GASBs was a net negative expense of $ 1,595,638 in 2019 compared to a net negative expense of $ 8,730,984 in 2018 which greatly distorts a comparative analysis between 2019 and 2018.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Program expenses				
Instruction				
Regular	$ 1,939,863	$ 610,856	$ (1,482,290)	$ (72,546)
Vocational	6,415,300	2,522,795	(5,751,914)	(1,731,066)
Adult education	869,973	546,550	499,766	799,867
Other	16,234	43,609	(16,234)	(43,609)
Supporting services				
Pupil	1,736,198	1,232,751	(1,503,820)	(1,047,551)
Instructional staff	1,305,845	868,240	(1,304,045)	(866,440)
Board of education	29,769	33,032	(29,769)	(33,032)
Administration	1,012,725	772,374	(1,012,725)	(772,374)
Fiscal services	934,611	828,204	(934,611)	(828,204)
Business	304,898	241,047	(298,891)	(241,047)
Operation and maintenance	3,219,671	2,519,194	(3,219,671)	(2,519,194)
Pupil transportation	34,161	25,522	(34,161)	(25,522)
Central services	708,886	597,862	(708,886)	(597,862)
Operation of non-instructional	428,348	412,679	(40,712)	(38,342)
Extracurricular activities	383,123	140,761	(383,123)	(140,761)
Interest	50,023	54,895	(50,023)	(54,895)
Total expenses	$ 19,389,628	$ 11,450,371	$(16,271,109)	$ (8,212,578)

The School District's Funds

Information about the School District's major fund, the General Fund, starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues excluding other financing sources of $ 23,069,725 with the General Fund accounting for $ 21,919,953 of the total. The governmental expenditures excluding other financing uses were $ 22,632,823 with the General Fund accounting for $ 20,348,884 of the expenditures. The net change in fund balance for all governmental funds was $ 436,902. The General Fund had an increase of $ 1,269,060, while the Other Governmental Funds had a decrease in fund balance of $ 832,158.

The General Fund's increase in fund balance was the result of the School District continued effort to apply sound fiscal policy and monitor expenditures and make adjustment to not be in a position of deficit spending (prior to any transfers from the General Fund).

General Fund – Budget Highlights

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

During fiscal year 2019, the School District amended its General Fund budget throughout the fiscal year. Requests for budget changes are made by the building administrators. Final approval is obtained from the treasurer and superintendent and is presented to the Board of Education for their adoption.

For the General Fund, the original budget basis revenue and final budget basis revenue was $ 20,865,145. The actual revenue for fiscal year 2019 was $ 265,932 lower than anticipated. The School District monitors its revenue sources continually and make adjustments when necessary to have the budget be as accurate as possible.

The original and final appropriations were $ 20,390,761. Actual expenditures were $ 19,543,579 or $ 847,182 lower than anticipated. The School District monitors its appropriations continually and adjusts when necessary to try and make appropriations be as accurate as possible.

The School District's General Fund ending unobligated budgetary fund balance of $ 8,781,640 was $ 581,250 higher than the final budgeted fund balance of $ 8,200,390.

Capital Assets

At the end of fiscal year 2019, at historical cost, the School District had $ 40,750,512 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure as compared to $ 39,842,710 in 2018; all of which was related to governmental activities.

Table 4 shows fiscal year 2019 net balances compared to 2018:

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

	2019	2018
Land	$ 138,000	$ 138,000
Construction in process	-	47,360
Land improvements	151,673	111,509
Building and improvements	17,138,594	17,139,665
Furniture and equipment	1,262,017	1,404,369
Vehicles	22,582	28,155
Infrastructure	1,006,357	1,060,754
Total capital assets	$ 19,719,223	$ 19,929,812

Net capital assets decreased $ 210,589 from the prior year. This decrease is the result of the depreciation expense being greater than the purchase of new capital assets.

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

Debt

At June 30, 2019, the School District had $ 2,214,251 in energy conservation notes. These notes were issued for the purpose of purchasing and installing energy conservation measures throughout the School District.

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

Current Issues

The School District is in a financial position to maintain necessary annual operational expenditures, possible only through sound fiscal policy. However, facility and program updates are needed at this time that go beyond the annual operational budget. The School District will rely on an additional revenue source through a permanent improvement levy to keep in line with maintaining sound fiscal policy. These facility and program upgrades will allow Lorain County JVS to continue to provide an education that is relative to today's demands and help achieve the School District's vision of being the model career and technical education center in the state of Ohio.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Cory Thompson, Treasurer, at 15181 Route 58 South, Oberlin, Ohio 44074, or call at (440) 774-1051.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
Assets	
Equity in pooled cash and investments	$ 10,400,742
Accounts receivable	25,388
Accrued interest	11,322
Due from other governments	79,740
Inventory	11,723
Taxes receivable	13,127,700
Net OPEB asset	1,214,629
Capital assets:	
Nondepreciable capital assets	138,000
Depreciable capital assets, net	19,581,223
Total assets	44,590,467
Deferred outflows of resources	
Pension	5,507,969
Other postemployment benefits	267,807
Total deferred outflows of resources	5,775,776
Liabilities	
Accounts and contracts payable	236,221
Accrued salaries, wages and benefits	1,633,887
Accrued interest payable	41,007
Due to other governments	220,471
Long term liabilities:	
Due within one year	529,048
Due in more than one year	
Other amounts	4,662,335
Net pension liability	21,109,373
Net other postemployment benefits liability	2,099,620
Total liabilities	30,531,962
Deferred inflows of resources	
Property taxes	9,500,706
Unavailable - other	3,316
Pension	3,293,841
Other postemployment benefits	2,434,211
Total deferred inflows of resources	15,232,074
Net position	
Net investment in capital assets	17,504,972
Restricted for:	
Net OPEB asset	1,214,629
Capital projects	387,723
Other purposes	110,980
Unrestricted	(14,616,097)
Total net position	$ 4,602,207

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants Interest and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction				
Regular	$ 1,939,863	$ 457,573	$ -	$ (1,482,290)
Vocational	6,415,300	329,750	333,636	(5,751,914)
Adult education	869,973	988,089	381,650	499,766
Other	16,234	-	-	(16,234)
Supporting services				
Pupil	1,736,198	-	232,378	(1,503,820)
Instructional staff	1,305,845	-	1,800	(1,304,045)
Board of education	29,769	-	-	(29,769)
Administration	1,012,725	-	-	(1,012,725)
Fiscal services	934,611	-	-	(934,611)
Business	304,898	-	6,007	(298,891)
Operation and maintenance	3,219,671	-	-	(3,219,671)
Pupil transportation	34,161	-	-	(34,161)
Central services	708,886	-	-	(708,886)
Operation of non-instructional services	428,348	200,788	186,848	(40,712)
Extracurricular activities	383,123	-	-	(383,123)
Interest	50,023	-	-	(50,023)
Totals	$ 19,389,628	$ 1,976,200	$ 1,142,319	(16,271,109)

General revenues:	
Property taxes levied for:	
General purpose	11,418,398
Grants and entitlements not restricted to specific purposes	8,015,764
Investment earnings	105,702
Miscellaneous	273,857
Total general revenues	19,813,721
Change in net position	3,542,612
Net position at beginning of year	1,059,595
Net position at end of year	$ 4,602,207

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash and investments	$ 9,872,283	$ 528,459	$ 10,400,742
Receivables, net of allowance			
Taxes, current	12,225,790	-	12,225,790
Taxes, delinquent	901,910	-	901,910
Accounts and other	-	25,388	25,388
Accrued interest	11,322	-	11,322
Due from other governments	-	79,740	79,740
Interfund receivable	89,765	-	89,765
Inventory	6,328	5,395	11,723
Total assets	$ 23,107,398	$ 638,982	$ 23,746,380
Liabilities			
Accounts and contracts payable	$ 199,093	$ 37,128	$ 236,221
Accrued salaries, wages and benefits	1,593,893	39,994	1,633,887
Due to other governments	214,304	6,167	220,471
Interfund payable	-	89,765	89,765
Compensated absences	111,125	-	111,125
Total liabilities	2,118,415	173,054	2,291,469
Deferred inflows of resources			
Property taxes	9,500,706	-	9,500,706
Unavailable - delinquent property tax	901,910	-	901,910
Unavailable - other	11,322	83,056	94,378
Total deferred inflows of resources	10,413,938	83,056	10,496,994
Fund balances			
Nonspendable	6,328	5,395	11,723
Restricted	-	105,585	105,585
Committed	76,064	387,723	463,787
Assigned	709,277	-	709,277
Unassigned (deficit)	9,783,376	(115,831)	9,667,545
Total fund balances	10,575,045	382,872	10,957,917
Total liabilities, deferred inflows of resources and fund balances	$ 23,107,398	$ 638,982	$ 23,746,380

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2019

Total governmental funds balances		$ 10,957,917
Amount reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		19,719,223
Other long term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds:		
Property taxes	$ 901,910	
Interest	11,322	
Tuition and fees	79,740	
		992,972
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	(2,866,007)	
Notes payable	(2,214,251)	
Accrued interest payable	(41,007)	
		(5,121,265)
Net pension and OPEB liability are not due and payable in the current period and therefore the liability and related net OPEB asset and deferred outflows/inflows of resources are not reported in the governmental funds.		
Net OPEB asset	1,214,629	
Deferred outflow of resources - pension	5,507,969	
Deferred outflow of resources - OPEB	267,807	
Net pension liability	(21,109,373)	
Net OPEB liability	(2,099,620)	
Deferred inflow of resources - pension	(3,293,841)	
Deferred inflow of resources - OPEB	(2,434,211)	
		(21,946,640)
Net position of governmental activities		$ 4,602,207

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 11,489,727	$ -	$ 11,489,727
Tuition and fees	1,655,044	-	1,655,044
Interest	105,597	-	105,597
Intergovernmental	8,343,500	873,787	9,217,287
Charges for services	81,701	200,788	282,489
Other	244,384	75,197	319,581
Total revenues	21,919,953	1,149,772	23,069,725
Expenditures			
Current			
Instruction			
Regular	2,470,828	-	2,470,828
Vocational	7,742,998	345,094	8,088,092
Adult education	878,305	137,860	1,016,165
Other instruction	16,234	-	16,234
Supporting services			
Pupil	1,676,916	150,571	1,827,487
Instructional staff	1,560,785	1,789	1,562,574
Board of education	29,199	-	29,199
Administration	1,243,403	11	1,243,414
Fiscal services	931,007	11,773	942,780
Business	314,041	-	314,041
Operation and maintenance	2,325,885	883,898	3,209,783
Pupil transportation	29,258	-	29,258
Central services	657,873	53,000	710,873
Operation of non-instructional services	-	425,777	425,777
Extracurricular activities	472,152	-	472,152
Debt service			
Principal	-	220,068	220,068
Interest	-	54,098	54,098
Total expenditures	20,348,884	2,283,939	22,632,823
Excess (deficiency) of revenues over expenditures	1,571,069	(1,134,167)	436,902
Other financing sources (uses)			
Transfers-in	-	302,009	302,009
Transfers-out	(302,009)	-	(302,009)
Total other financing sources (uses)	(302,009)	302,009	-
Net change in fund balances	1,269,060	(832,158)	436,902
Fund balances, beginning of year	9,305,985	1,215,030	10,521,015
Fund balances, end of year	$ 10,575,045	$ 382,872	$ 10,957,917

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT 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, 2019

Net change in fund balances - total governmental funds		$ 436,902
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay, net in the current period.		
Capital outlay	$ 1,014,847	
Disposals	(74,699)	
Depreciation expense	(1,150,737)	(210,589)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(71,329)	
Tuition and fees	(7,057)	
Interest	105	
Intergovernmental revenue	(65,211)	(143,492)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		1,609,210
Except for amounts reported as deferred outflows/inflows of resources, changes in the net pension /OPEB liabilities (asset) are reported as pension/OPEB expense in the statement of activities.		1,595,638
Repayment of notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		220,068
Accrued interest expense in the statement of activities does not require the use of current financial resources and therefore, is not reported as an expenditure in the governmental funds.		4,075
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		30,800
Change in net position of governmental activities		$ 3,542,612

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET BASIS (NON-GAAP) AND ACTUAL - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenue and other financing sources	$ 20,865,145	$ 20,865,145	$ 20,599,213	$ (265,932)
Expenditures and other financing uses	20,390,761	20,390,761	19,543,579	847,182
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	474,384	474,384	1,055,634	581,250
Fund balances, beginning of year	6,959,692	6,959,692	6,959,692	-
Prior year encumbrances	766,314	766,314	766,314	-
Fund balances, end of year	$ 8,200,390	$ 8,200,390	$ 8,781,640	$ 581,250

See the accompanying notes to the basic financial statements.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

JUNE 30, 2019

Assets		
Equity in pooled cash	$	72,678
Total assets	$	72,678
Liabilities		
Accounts payable	$	273
Due to students		72,405
Total liabilities	$	72,678

See the accompanying notes to the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF BASIC OPERATIONS AND DESCRIPTION OF ENTITY

REPORTING ENTITY

The Lorain County Joint Vocational School District (the School District) is a school district corporation established with rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The School District is governed by an elected Board of Education comprised of representatives from each participating school district. Average daily membership for fiscal year 2019 was 1,013. The School District employs 166 certificated and 62 non-certificated employees.

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present all funds of the primary government. The primary government consists of all funds, departments, boards, organizations, and agencies that are not legally separate for financial reporting purposes.

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

The School District is associated with and participates in Connect, Ohio Schools Council (Council), META Solutions and Lake Erie Regional Council (LERC), which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 12.

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

The financial statements of the School District have been prepared in conformity with GAAP as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. BASIS OF PRESENTATION

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

The *Statement of Net Position* and the *Statement of Activities* display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements present those activities of the School District that are governmental activities. The School District has no business-type activities.

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

Fund Financial Statements

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

C. FUND ACCOUNTING

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

Governmental Funds

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

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

Fiduciary Funds

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

D. MEASUREMENT FOCUS

Government-wide Financial Statements - The government-wide statements are prepared using the economic resources measurement focus. All non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the *Statement of Net Position*. The *Statement of Activities* reports increases (i.e., revenues) and decreases (i.e., expenses) in net position.

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

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

E. BASIS OF ACCOUNTING

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from a non-exchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available for advance, grants, accrued interest, tuition, and student fees. Related receivables at June 30, 2019 are considered collectible in full due to the ability to foreclose for nonpayment of taxes, the stable condition of the State programs, and the guarantee of federal funds.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges related to pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 16 and 17, respectively.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, pension and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported on both the statement of net position and the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position (See Note 16 and 17).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

F. INTERFUND BALANCES

On fund financial statements, outstanding interfund loans are reported as “Interfund Receivables” and “Interfund Payables.” These amounts are eliminated in the statement of net position (See Note 9).

G. RESTRICTED ASSETS

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

H. INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when used.

I. CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets except land and construction in progress are depreciated. The School District depreciates its assets using the half-year convention which assumes that the asset is depreciable for half of the fiscal year it is placed in service regardless of when the asset was actually acquired. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS (continued)

Description	Estimated Lives
Land improvements	5 - 30 years
Buildings and improvements	15 - 30 years
Furniture, fixtures and equipment	7 - 20 years
Vehicles	5 - 10 years
Infrastructure	30 years

J. COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation is attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability is calculated by developing a ratio based on historical data of sick leave paid at termination compared with sick leave accumulated and by applying that ratio to the sick leave accumulated balances as of June 30, 2019. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

K. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is matured and payable at year end, using expendable available financial resources. These amounts, if significant, are recorded in the account "compensated absences" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the fund statements. The entire compensated absences liability is reported on the government-wide statements.

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

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

L. FUND BALANCE

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. FUND BALANCE (continued)

Restricted

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

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District's Board of Education, which includes giving the Treasurer the authority to constrain monies for the intended purposes.

Unassigned

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

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

M. NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation and associated long term debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net position reports $ 1,713,332 of net position restricted, none of which is restricted by enabling legislation.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. INTERFUND TRANSACTIONS

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

O. ESTIMATES

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

P. BUDGETARY PROCESS

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year (See Note 3).

Q. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. No prepaids were recorded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. CASH AND CASH EQUIVALENTS

Cash received by the School District is deposited in one pooled central bank account to improve cash management with individual fund balance integrity maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and investments" on the financial statements. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned and credited to the General Fund for the year ended June 30, 2019 totaled $ 105,597, which includes $ 19,045 assigned from other funds.

Investments and demand deposits of the pooled cash with an original maturity of three months or less are considered to be cash and cash equivalents as presented on the financial statements and are reported at cost or amortized cost. Investments are reported at fair value, which is based on quoted market prices.

S. PENSIONS/OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 83, – "Certain Asset Retirement Obligations", and GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements."

GASB Statement No. 83, – "Certain Asset Retirement Obligations"- This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. These changes were incorporated in the School District's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." - The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. These changes were incorporated in the School District's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The Board of Education is required, by Ohio Revised Code, to adopt an annual budget in accordance with the following:

Tax Budget: - A budget of estimated cash receipts and disbursements is adopted prior to January 15 by the board. A budget of estimated revenue and expenditures is submitted to the county auditor, as secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30, fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to fiscal year end, the School District must revise its budget so that the total contemplated expenditures from a fund during the year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts, as shown in the accompanying "Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) – General Fund", do not include July 1, 2018 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported in the budgetary statements reflect the final budget figures.

Appropriations - Appropriations may be defined as expenditure authorization and are synonymous with budget within the Budget and Actual presentations. A temporary appropriation measure to control the cash disbursements may be passed prior to passage of the annual appropriation measure. An annual appropriation measure must be passed for the current fiscal year by October 1 of each budget year. The appropriation measure may be amended or supplemented during the year as new information becomes available. Management has Board of Education approval to amend or supplement appropriations so long as appropriations do not exceed available resources at the fund level. Several amendments and supplements were enacted during the fiscal year. The amounts reported in the budgetary statements reflect first and final amended appropriations. Appropriations may not exceed estimated resources and expenditures plus encumbrances may not exceed appropriations at the fund level.

Lapsing of Appropriation - At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the fund financial statements, encumbrances outstanding at year end for governmental funds are reported as restricted, committed or assigned.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP Basis).
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) rather than when the liability is incurred (GAAP basis).
3. In order to determine compliance with Ohio law and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, assigned or committed fund balance for the portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
4. Some funds are included in the General Fund (GAAP basis), but have a separate legally adopted budget (budget basis).
5. Advances-in and advances-out are operating transactions (budget basis), as opposed to balance sheet transactions (GAAP basis).
6. Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis).

Adjustments necessary to convert the results of operations for the General Fund at the end of the year on the budget basis to the GAAP basis are as follows:

Net Change in Fund Balance

	General Fund
Budget basis	$ 1,055,634
Adjustments, increase (decrease)	
Revenue accruals	1,320,740
Expenditure accruals	(751,792)
Encumbrances	334,047
Funds budgeted separately	(689,569)
GAAP basis, as reported	$ 1,269,060

NOTE 4 – FUND BALANCE

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

Fund Balances	General Fund	Other Governmental Funds	Total
Nonspendable			
Inventory	$ 6,328	$ 5,395	$ 11,723
Restricted for			
Other grants	-	95,896	95,896
Lunch program	-	9,689	9,689
	-	105,585	105,585
Committed			
Capital projects	-	387,723	387,723
Section 125 plan	76,064	-	76,064
	76,064	387,723	463,787
Assigned			
Adult education	111,004	-	111,004
Program related shops	331,743	-	331,743
Other purposes	266,530	-	266,530
	709,277	-	709,277
Unassigned (deficit)	9,783,376	(115,831)	9,667,545
	$ 10,575,045	$ 382,872	$ 10,957,917

NOTE 5 - DEFICIT FUND BALANCE

At June 30, 2019, the Perkins Grant Fund had a deficit fund balance of $ 115,831. The General Fund is liable for the deficit in the fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 6 - DEPOSITS AND INVESTMENTS

LEGAL REQUIREMENTS

Deposits and investments are restricted by provisions of the Ohio Revised Code. Statutes require the classification of monies held by the School District into three categories.

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

Inactive deposits are public deposits that are not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

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

At fiscal year end, the School District had $ 955 in cash on hand which is included in equity in pooled cash and investments.

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

LEGAL REQUIREMENTS (continued)

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, the carrying amount of the School District's deposits was $ 5,649,652 and the bank balance was $ 6,304,771. Of the bank balance, $ 250,937 was covered by federal depository insurance. The School District's financial institutions participate in the Ohio Pooled Collateral System (OPCS), with one financial institution approved for a reduced collateral floor of 50 percent, resulting in an uninsured and uncollateralized bank balance of $ 6,053,834.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by a financial institution participation in the OPCS or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2019, the School District's investments were 3.02% in money market funds, 31.49% in commercial paper and 65.49% in various U.S. agencies and treasuries. The investments in U.S. agencies and treasuries have a credit rating of AA+ by Standards & Poor's and the commercial paper has a credit rating of A-1 and A-1+ by Standards & Poor's.

Concentrations of Credit Risk – The School District places no limit on the amount it may invest in any one issuer. As of June 30, 2019, the School District had the following investments:

	Maturities	Fair Value
US Government Agency Notes	10/29/19 - 5/24/24	$ 3,158,552
Commercial Paper	8/23/19 - 12/13/19	1,518,505
Money Market	n/a	145,756
		$ 4,822,813

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2019. All investments of the School District are valued using quoted market prices (Level 1 inputs.)

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real estate and public utility located in the School District. Real property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, 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 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 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.

Tangible personal property taxes received from telephone companies in calendar year 2019 were levied after October 1, 2018, on the value as of December 31, 2018. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only delinquent settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources. The amount available as an advance at June 30, 2019, was $ 2,725,084 in the General Fund. The amount available as an advance at June 30, 2018 was $ 2,932,897 in the General Fund.

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

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	%	Amount	%
Agricultural/Residential	$4,720,870,400	78.87	$5,199,747,920	78.47
Commercial / Industrial	1,004,659,770	16.78	1,140,848,050	17.22
Public Utilities	259,986,060	4.35	285,611,200	4.31
Total Assessed Value	$5,985,516,230	100.00	$6,626,207,170	100.00
Tax rate per $1,000 of assessed valuation	$ 2.45		$ 2.45	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2019 consisted of taxes, accounts, interest, interfund and due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of the state programs and the current year guarantee of federal funds. All receivables are expected to be collected within one year. Due from other governments consists of the following:

	Amount
Governmental Activities	
Non-major funds	
Perkins Grant	$ 79,740
Total Governmental Activities	$ 79,740

NOTE 9 - INTERFUND TRANSACTIONS

A. TRANSFERS

The General Fund reported transfers out of $ 27,843 to the Food Service Fund and $ 274,166 to the Debt Service Fund at June 30, 2019. The transfers represent the monies provided by the General Fund to pay down the energy conservation notes and pay for expenditures of the lunch program and renovation projects in the School District.

B. INTERFUND BALANCES

The interfund payables are advances for grant monies that were not received by fiscal year end. The School District expects to receive the grant monies within the next fiscal year, at which time the advances will be repaid. Interfund balances at June 30, 2019, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General	$ 89,765	$ -
Non major Funds		
Job Training	-	10,025
Federal Vocational Education	-	79,740
Total	$ 89,765	$ 89,765

NOTE 10 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Governmental Activities				
Nondepreciable capital assets				
Land	$ 138,000	$ -	$ -	$ 138,000
Construction in progress	47,360	831,528	878,888	-
Total nondepreciable capital assets	185,360	831,528	878,888	138,000
Depreciable capital assets				
Land improvements	1,062,415	46,600	-	1,109,015
Buildings and improvements	31,939,514	878,888	-	32,818,402
Furniture, fixtures and equipment	4,471,689	136,719	107,045	4,501,363
Vehicles	536,357	-	-	536,357
Infrastructure	1,647,375	-	-	1,647,375
Total capital assets being depreciated	39,657,350	1,062,207	107,045	40,612,512
Less accumulated depreciation				
Land improvements	(950,906)	(6,436)	-	(957,342)
Buildings and improvements	(14,799,849)	(879,959)	-	(15,679,808)
Furniture, fixtures and equipment	(3,067,320)	(204,372)	32,346	(3,239,346)
Vehicles	(508,202)	(5,573)	-	(513,775)
Infrastructure	(586,621)	(54,397)	-	(641,018)
Total accumulated depreciation	(19,912,898)	(1,150,737)	32,346	(21,031,289)
Depreciable capital assets, net of accumulated depreciation	19,744,452	(88,530)	74,699	19,581,223
Governmental activities capital assets, net	$ 19,929,812	$ 742,998	$ 953,587	$ 19,719,223

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular instruction	$ 557
Vocational education	211,295
Adult education	3,839
Supporting services	
Pupil	1,442
Instructional staff	25,514
Administration	1,247
Business	3,108
Operation and maintenance	892,433
Pupil transportation	4,880
Central services	3,851
Operation of non-instruction services	2,571
Total depreciation expense	$ 1,150,737

NOTE 11 - LONG-TERM OBLIGATIONS

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

	Balance July 1, 2018	Additions	Decreased	Balance June 30, 2019	Amounts Due In One Year
Net pension liability					
STRS	$ 18,137,833	$ -	$ 1,517,628	$ 16,620,205	$ -
SERS	5,013,365	-	524,197	4,489,168	-
Total net pension liability	23,151,198	-	2,041,825	21,109,373	-
Net OPEB liability					
STRS	2,979,015	-	2,979,015	-	-
SERS	2,155,328	-	55,708	2,099,620	-
Total net OPEB liability	5,134,343	-	3,034,723	2,099,620	-
Energy conservation notes	2,434,319	-	220,068	2,214,251	224,958
Compensated absences	3,063,681	276,733	363,282	2,977,132	304,090
	$ 33,783,541	$ 276,733	$ 5,659,898	$ 28,400,376	$ 529,048

The energy conservation notes and compensated absences will be repaid from the Debt Service Fund and the funds which employees' salaries are paid, respectively. Refer to Note 1, for additional information related to compensated absences.

Principal and interest required to retire the energy conservation notes at June 30, 2019 were as follows:

Year ending June 30,	Principal	Interest	Total
2020	$ 224,958	$ 49,208	$ 274,166
2021	229,958	44,208	274,166
2022	235,068	39,098	274,166
2023	240,292	33,874	274,166
2024	245,632	28,534	274,166
2025-2027	1,038,343	58,321	1,096,664
	$ 2,214,251	$ 253,243	$ 2,467,494

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

A. CONNECT

The North Coast Council became known as Connect effective April 1, 2016. The new governing Board of Directors, the Educational Service Centers of Cuyahoga, Lorain and Medina County and the Ohio Schools Council, have accepted the ownership, responsibility and liability of Connect in order to provide exemplary service to member districts. The Superintendent/Executive Director of the three ESCs and Ohio Schools Council shall serve on Connect's Board of Directors. The purpose of Connect is applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Fiscal information for Connect is available from the Treasurer of the Educational Service Center of Cuyahoga County (fiscal agent), located at 6393 Oak Tree Boulevard, Independence, Ohio 44131. During the year ended June 30, 2019, the School District paid $ 36,812 to Connect for basic service charges.

B. LAKE ERIE REGIONAL COUNCIL (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of fourteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge except for insurance.

The LERC's shared risk pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal year, each participating member is notified of the deficiency and billed for its share of the additional cost.

The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County at 1885 Lake Avenue, Elyria, Ohio.

During fiscal year 2019, the School District paid approximately $ 2,679,456 to LERC.

C. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. The Council's Board consists of seven superintendents of the participating districts whose term rotates every fiscal year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2019, the School District paid $ 90,960 to the Council for participation in the prepaid natural gas program.

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. META SOLUTIONS

The School District is a participant in META Solutions (META). META is the result of a merger of the Tri-Rivers Educational Computer Association (TRECA) and Metropolitan Education Council. META is an association of over 30 Ohio School Districts located primarily in Delaware, Knox, Marion, Morrow, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The Governing Board of META consists of one representative from each county elected by majority vote of all charter member districts within each county, one representative from the city districts, and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from the META Solutions, 100 Executive Drive, Marion, Ohio 43302. During the year ended June 30, 2019, the School District paid $ 124,901 in basic services to META.

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a reduction in coverage from the prior year.

The School District has a comprehensive property and casualty policy with the Markel Insurance Co. The deductible is $ 1,000 per incident. All vehicles are insured with Markel Insurance Co. and have a $ 500 Comprehensive and $ 500 Collision deductible. All Board Members, Administrators and employees are covered under a school district liability policy with Markel Insurance Co. The coverage is for blanket employee dishonesty with a limit of $ 500,000, money and securities with a limit of $ 500,000 and forgery with a limit of $ 500,000 all three have a $ 500 deductible.

The Board President and the Superintendent are covered with surety bonds for $ 20,000. The Treasurer also is covered by a surety bond in the amount of $ 200,000. These bonds are with Travelers Casualty and Surety Company of America.

For fiscal year 2019, the School District participated in the Sheakley Workers' Compensation Group rating Program. The program is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the program. Each participant pays its rate. Participation in the program is limited to members that can meet the program's selection criteria. The districts apply for participation each year. Sheakley Co. provides administrative, cost control, and actuarial services to the program. Each year the District pays an enrollment fee to the program to cover the costs of administration.

NOTE 14 - CONTINGENCIES

A. GRANTS

The School District receives financial assistance from numerous federal and state agencies which is subjected to financial and compliance audits. Such audits could lead to a request for reimbursement to the grantor agency for disallowed expenditures. Management believes that any such disallowed amounts, if any, would not materially affect the School District's financial position.

B. LITIGATION

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

NOTE 15 - SET-ASIDE

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

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2019.

	Capital Maintenance
Balance, July 1, 2018	$ -
Required set aside	198,582
Qualifying expenditures	(905,003)
Balance, June 30, 2019	$ (706,421)
Balance carried forward to fiscal year 2020	$ -

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. NET PENSION LIABILITY

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

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

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

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

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

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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 School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent and 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $ 364,430 for fiscal year 2019. Of this amount $ 42,829 is reported as due to other governments.

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

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 August1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 after termination of employment at age 50 or later.

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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio 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. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent. None on the employer contribution rate was used to fund the health care fund. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $ 1,212,760 for fiscal year 2019. Of this amount $ 140,647 is reported as due to other governments.

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

D. 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 4,489,168	$ 16,620,205	$ 21,109,373
Pension expense	$ 305,045	$ 696,602	$ 1,001,647
Proportion of the net pension liability			
prior measurement date	0.083909%	0.076353%	
current measurement date	0.078384%	0.075588%	
Change in proportionate share	-0.005525%	-0.000765%	

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 246,203	$ 383,645	$ 629,848
Net difference between projected and actual earnings on pension plan investments	-	2,945,414	2,945,414
Change in assumptions	101,375	-	101,375
Change in proportionate share percentage and difference between employer contribution and proportionate share of contribution	254,142	-	254,142
School District contributions subsequent to the measurement date	364,430	1,212,760	1,577,190
Total deferred outflows of resources	$ 966,150	$ 4,541,819	$ 5,507,969
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 108,540	$ 108,540
Net difference between projected and actual earnings on pension plan investments	124,381	1,007,831	1,132,212
Change in proportionate share percentage and difference between employer contribution and proportionate share of contribution	235,798	1,817,291	2,053,089
	$ 360,179	$ 2,933,662	$ 3,293,841

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

$ 1,577,190 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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 Year Ending June 30:	SERS	STRS	Total
2020	$ 305,147	$ 547,595	$ 852,742
2021	121,863	372,006	493,869
2022	(147,322)	(277,581)	(424,903)
2023	(38,147)	(246,623)	(284,770)
	$ 241,541	$ 395,397	$ 636,938

E. 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, 2018, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment rate of return	7.50 percent of net of investments expense, including inflation
Actuarial cost method	Entry age normal (Level percent of payroll)

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational project with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. stocks	22.50%	4.75%
Non-U.S. stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 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 (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 6,323,332	$ 4,489,168	$ 2,951,345

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS - STRS

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Cost-of-living adjustments (COLA)	0.0 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial experience study for a period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return *
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
	100.00%	

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. 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 rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS - STRS

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$ 24,271,622	$ 16,620,205	$ 10,144,319

Assumption and Benefit Changes Since the Prior Measurement Date – There were not changes in assumptions or benefit terms since the prior measurement date of June 30, 2017.

NOTE 17 – DEFINED BENEFIT OPEB PLANS

A. NET OPEB LIABILITY/ASSET

The net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset 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 these estimates annually.

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

NOTE 17 – DEFINED BENEFIT OPEB PLANS (continued)

A. NET OPEB LIABILITY/ASSET (continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $ 21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was $ 17,072.

NOTE 17 – DEFINED BENEFIT OPEB PLANS (continued)

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $ 32,020 for fiscal year 2019. Of this amount $ 18,658 is reported as due to other governments.

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS Ohio did not allocate any employer contributions to post-employment health care.

D. OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportionate share of the net OPEB liability/(asset)	$ 2,099,620	$ (1,214,629)	$ 884,991
OPEB expense	$ 86,861	$ (2,684,146)	$ (2,597,285)
Proportion of the net OPEB liability			
Prior measurement date	0.080311%	0.076353%	
Current measurement date	0.075682%	0.075588%	
Change in proportionate share	-0.004629%	-0.000765%	

NOTE 17 – DEFINED BENEFIT OPEB PLANS (continued)

D. OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (continued)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 34,273	$ 141,871	$ 176,144
Change in proportionate share and difference between employer and proportionate share of contributions	59,643	-	59,643
The District's contributions subsequent to the measurement date	32,020	-	32,020
Total deferred outflows of resources	$ 125,936	$ 141,871	$ 267,807
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 70,768	$ 70,768
Change in assumptions	188,635	1,655,029	1,843,664
Net difference between projected and actual earnings on pension plan investments	3,150	138,761	141,911
Change in proportionate share and difference between employer and proportionate share of contributions	125,107	252,761	377,868
Total deferred inflows of resources	$ 316,892	$ 2,117,319	$ 2,434,211

$ 32,020 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	$ (66,008)	$ (358,071)	$ (424,079)
2021	(57,381)	(358,071)	(415,452)
2022	(30,062)	(358,071)	(388,133)
2023	(28,721)	(326,557)	(355,278)
2024	(28,939)	(315,498)	(344,437)
Thereafter	(11,865)	(259,180)	(271,045)
	$ (222,976)	$ (1,975,448)	$ (2,198,424)

NOTE 17 – DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent of net of investments expense, including inflation
Municipal bond index rate:	
Prior measurement date	3.56 percent
Measurement date	3.62 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Prior measurement date	3.63 percent
Measurement date	3.70 percent
Medical trend assumptions	
Pre-medicare	7.25 to 4.75 percent
Medicare	5.375 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

NOTE 17 – DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. stocks	22.50%	4.75%
Non-U.S. stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
	100.00%	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

NOTE 17 – DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	$ 2,547,724	$ 2,099,620	$ 1,744,806

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$ 1,694,008	$ 2,099,620	$ 2,636,723

F. ACTUARIAL ASSUMPTIONS – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent
Health care cost trends	
Medical	
Pre-medicare	6.00 percent initial, 4.00 percent ultimate
Medicare	5.00 percent initial, 4.00 percent ultimate
Prescription drug	
Pre-medicare	8.00 percent initial, 4.00 percent ultimate
Medicare	-5.23 percent initial, 4.00 percent ultimate

NOTE 17 – DEFINED BENEFIT OPEB PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return *
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
	100.00%	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management

Discount Rate -The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate -The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

NOTE 17 – DEFINED BENEFIT OPEB PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB (asset)	$ (1,041,051)	$ (1,214,629)	$ (1,360,514)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB (asset)	$ (1,352,278)	$ (1,214,629)	$ (1,074,836)

Assumption Changes Since the Prior Measurement Date – The discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting of Postemployment Benefit Plans Other Than Pension Plans. Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date – The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019, the non-Medicare frozen subsidy based premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

NOTE 18 – TAX ABATEMENT

Pursuant to Ohio Revised Code Chapter 3735.65-70, the School District has several participating city school districts that have designated Community Reinvestment Areas or Ohio Enterprise Zones. These programs provide the city's with resources to stimulate growth and economic development by renovating existing or constructing new buildings within the designated areas. The improvements within these designated areas are granted a real estate tax abatements for varying percentages resulting from the increase in assessed value as a result of the improvements for periods up to 15 years. The amount of the abatement is deducted from the recipient's property tax bill. The School District has estimated that the amount of foregone tax dollars for the tax year 2019 is $ 62,600.

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REQUIRED SUPPLEMENTARY INFORMATION

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST SIX FISCAL YEARS (1) *

	2019	2018	2017	2016
School District's proportion of the net pension liability	0.078384%	0.083909%	0.074789%	0.078740%
School District's proportionate share of the net pension liability	$ 4,489,168	$ 5,013,365	$ 5,473,923	$ 4,492,998
School District's covered payroll	$ 2,465,785	$ 2,609,550	$ 2,052,671	$ 2,235,056
School District's proportionate share of the net pension liability as a percentage of its covered payroll	182.06%	192.12%	266.67%	201.02%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

(1) Information prior to 2014 is not available. The schedule is intended to show information for 10 years, additional years will be displayed when they become available.

* Amounts represented for each fiscal year were determined as of the School District's measurement date which is the prior year.

See accompanying notes to the required supplementary information.

2015	2014
0.078438%	0.078438%
$ 3,969,703	$ 4,664,456
$ 2,143,496	$ 2,469,975
185.20%	188.85%
71.70%	65.52%

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST SIX FISCAL YEARS (1) *

	2019	2018	2017	2016
School District's proportion of the net pension liability	0.075588%	0.076353%	0.082256%	0.085339%
School District's proportionate share of the net pension liability	$ 16,620,205	$ 18,137,833	$ 27,533,747	$ 23,585,187
School District's covered payroll	$ 8,573,836	$ 8,458,029	$ 8,751,632	$ 9,012,124
School District's proportionate share of the net pension liability as a percentage of its covered payroll	193.85%	214.45%	314.61%	261.71%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available. The schedule is intended to show information for 10 years, additional years will be displayed when they become available.

* Amounts represented for each fiscal year were determined as of the School District's measurement date which is the prior year.

See accompanying notes to the required supplementary information.

2015	2014
0.090774%	0.090774%
$ 22,079,327	$ 26,300,750
$ 9,223,357	$ 9,830,463
239.38%	267.54%
74.70%	69.30%

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS - PENSION
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 364,430	$ 332,881	$ 365,337	$ 287,374
Contributions in relation to the contractually required contribution	(364,430)	(332,881)	(365,337)	(287,374)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School District covered payroll	$ 2,672,389	$ 2,465,785	$ 2,609,550	$ 2,052,671
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
$ 312,908	$ 300,089	$ 345,797	$ 343,216	$ 337,248	$ 324,203
(312,908)	(300,089)	(345,797)	(343,216)	(337,248)	(324,203)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,235,056	$ 2,143,496	$ 2,469,975	$ 2,451,546	$ 2,408,917	$ 2,315,736
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS - PENSION
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 1,212,760	$ 1,200,337	$ 1,184,124	$ 1,225,228
Contributions in relation to the contractually required contribution	(1,212,760)	(1,200,337)	(1,184,124)	(1,225,228)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School District covered payroll	$ 8,649,957	$ 8,573,836	$ 8,458,029	$ 8,751,632
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

	2015	2014	2013	2012	2011	2010
	$ 1,171,576	$ 1,199,036	$ 1,277,960	$ 1,354,793	$ 1,370,983	$ 1,145,088
	(1,171,576)	(1,199,036)	(1,277,960)	(1,354,793)	(1,370,983)	(1,145,088)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 9,012,124	$ 9,223,357	$ 9,830,463	$ 10,421,486	$ 10,546,020	$ 8,808,369
	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1) *

	2019	2018	2017
School District's proportion of the net OPEB liability	0.075682%	0.080311%	0.074759%
School District's proportionate share of the net OPEB liability	$ 2,099,620	$ 2,155,328	$ 2,130,916
School District's covered payroll	$ 2,465,785	$ 2,609,550	$ 2,052,671
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	85.15%	82.59%	103.81%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1) *

	2019	2018	2017
School District's proportion of the net OPEB liability (asset)	0.075588%	0.076353%	0.082257%
School District's proportionate share of the net OPEB liability/(asset)	$ (1,214,629)	$ 2,979,015	$ 4,399,102
School District's covered payroll	$ 8,573,836	$ 8,458,029	$ 8,751,632
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	-14.17%	35.22%	50.27%
Plan fiduciary net position as a percentage of the total OPEB liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS - OPEB
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS (1)

	2019	2018	2017	2016
Contractually required contribution (1)	$ 32,020	$ 36,284	$ 21,396	$ 33,401
Contributions in relation to the contractually required contribution	(32,020)	(36,284)	(21,396)	(33,401)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School District covered payroll	$ 2,672,389	$ 2,465,785	$ 2,609,550	$ 2,052,671
OPEB contributions as a percentage of covered payroll	1.20%	1.47%	0.82%	1.63%

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

	2015	2014	2013	2012	2011	2010
	$ 27,386	$ 20,114	$ 23,201	$ 73,406	$ 70,732	$ 45,911
	(27,386)	(20,114)	(23,201)	(73,406)	(70,732)	(45,911)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 2,235,056	$ 2,143,496	$ 2,469,975	$ 2,451,546	$ 2,408,917	$ 2,315,736
	1.23%	0.94%	0.94%	2.99%	2.94%	1.98%

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS - OPEB
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS (1)

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School District covered payroll	$ 8,649,957	$ 8,573,836	$ 8,458,029	$ 8,751,632
OPEB contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
$ -	$ 92,234	$ 98,305	$ 104,215	$ 105,460	$ 88,084
-	(92,234)	(98,305)	(104,215)	(105,460)	(88,084)
$ -	$ -	$ -	$ -	$ -	$ -
$ 9,012,124	$ 9,223,357	$ 9,830,463	$ 10,421,486	$ 10,546,020	$ 8,808,369
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

NOTE 1 - NET PENSION LIABILITY

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms – Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3 percent of their base benefit on the anniversary of their initial date of retirement. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent, nor greater than 2.5 percent. COLAs are suspended for calendar years 2018, 2019, and 2020. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

Changes in assumptions – The COLA was changed from a fixed 3.00 percent to a COLA that is indexed to CPI-W not greater than 2.50 percent with a floor of 0.0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB49, the Board has enacted a three year COLA delay for benefit recipients in calendar years 2018, 2019 and 2020.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms – Effective July 1, 2017, the COLA was reduced to zero.

Changes in assumptions – There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017-2018. See the notes to the basic financial statements for the methods and assumptions in this calculation.

NOTE 2 - NET OPEB LIABILITY

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms and funding terms – In fiscal year 2018, SERS' fund policy allowed a 2.0 percent health care contribution rate to allocated to the health care fund. The 2.0 percent is a combination of 0.5 percent employer contribution and 1.5 percent surcharge.

Changes in assumptions – Medical trend rates have been adjusted to reflect premium decreases.

NOTE 2 - NET OPEB LIABILITY

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in assumptions - For fiscal year 2019, the discount rate was increased from 4.13 percent to 7.45 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return is expected to remain at 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service, maximum of 30 years. In addition, the Part B monthly reimbursement was extended to expire on January 1, 2020, instead of January 1, 2019.

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LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ ***Pass Through Grantor /*** **Program Title**	**Federal CFDA Number**	**Receipts**	**Expenditures**
U.S. DEPARTMENT OF EDUCATION			
Direct:			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	$124,100	$124,100
Federal Direct Student Loans	84.268	89,864	89,864
Total Student Financial Assistance Cluster		213,964	213,964
Passed Through Polaris Career Center:			
Career and Technical Education-Grants to States (Perkins IV)- Adult 2018	84.048	1,337	365
Career and Technical Education-Grants to States (Perkins IV)- Adult 2019	84.048	38,329	38,329
Passed Through the Ohio Department of Education:			
Career and Technical Education-Grants to States (Perkins IV)- Secondary 2018	84.048	138,976	138,976
Career and Technical Education-Grants to States (Perkins IV)- Secondary 2019	84.048	378,762	435,426
Total Career and Technical Education-Grants to States (Perkins IV)		557,404	613,096
Total U.S. Department of Education		**771,368**	**827,060**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Ohio Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	132,831	132,831
National School Lunch Program- Non-Cash Assistance	10.555	22,897	22,897
School Breakfast Program	10.553	31,120	31,120
Total Child Nutrition Cluster		186,848	186,848
Total U.S. Department of Agriculture		**186,848**	**186,848**
Totals		**$958,216**	**$1,013,908**

The accompanying notes are an integral part of this schedule.

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of the Lorain County Joint Vocational School District (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

OHIO AUDITOR OF STATE
KEITH FABER

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Lorain County Joint Vocational School District, Lorain County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 10, 2020

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Lorain County Joint Vocational School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Lorain County Joint Vocational School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Lorain County Joint Vocational School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State

Columbus, Ohio

March 10, 2020

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LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA #84.048- Career and Technical Education, Basic Grants to State
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 24, 2020