

AUBURN VOCATIONAL SCHOOL DISTRICT

LAKE COUNTY

AUDIT REPORT

For the Year Ended June 30, 2011

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Education
Auburn Vocational School District
8140 Auburn Road
Concord, Ohio 44027

We have reviewed the *Report of Independent Accountants* of the Auburn Vocational School District, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 5, 2012

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AUBURN VOCATIONAL SCHOOL DISTRICT
 LAKE COUNTY
 AUDIT REPORT
 For the Year Ending June 30, 2011

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44027

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auburn Vocational School District, Lake County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

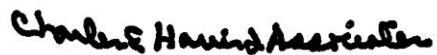
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Auburn Vocational School District, Lake County, Ohio, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District implemented Governmental Accounting Standard Board Statement No.54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011, on our consideration of the Auburn Vocational School District, Lake County, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Auburn Vocational School District's financial statements as a whole. The accompanying schedule of federal award expenditures is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of federal award expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Charles E. Harris & Associates, Inc.

December 23, 2011

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The management discussion and analysis of Auburn Vocational School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this management discussion and analysis is to look at the District's financial performance as a whole. Readers should review the basic financial statements and notes to those respective statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

In total, net assets decreased by \$301,777.

Revenues for governmental activities totaled \$11,425,759 in 2011. Of this total, 80.2 percent consisted of general revenues while program revenues accounted for the remaining balance of 19.8 percent.

Program expenses totaled \$11,727,536. Instructional expenses made up 52.3 percent of this total while support services accounted for 45.8 percent. Other expenses rounded out the remaining 1.9 percent.

Using the Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question, "How did we do financially during 2011?" *The Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements – The analysis of the District's major fund begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and adult education.

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

The District as a Whole

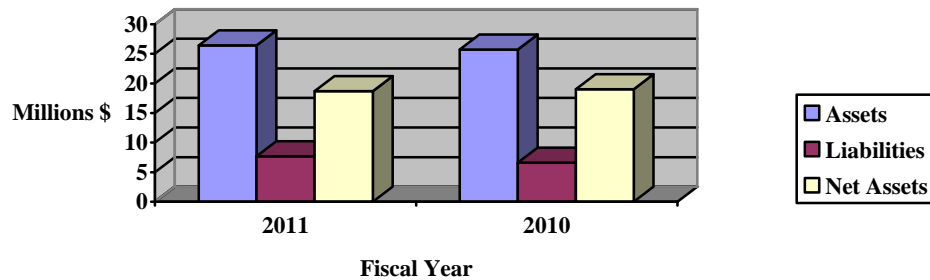
The *Statement of Net Assets* provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

**Table 1
Net Assets
Governmental Activities**

| | <u>2011</u> | <u>2010</u> | <u>Increase/ (Decrease)</u> |
|----------------------------|----------------------|----------------------|---------------------------------|
| Assets | | | |
| Current and other assets | \$ 14,493,206 | \$ 13,769,801 | \$ 723,405 |
| Capital assets, net | <u>11,947,696</u> | <u>11,914,952</u> | <u>32,744</u> |
| Total assets | <u>26,440,902</u> | <u>25,684,753</u> | <u>756,149</u> |
| Liabilities | | | |
| Current liabilities | 6,975,929 | 6,097,433 | 878,496 |
| Long term liabilities | | | |
| Due within one year | 67,326 | 65,304 | 2,022 |
| Due in more than one year | <u>661,742</u> | <u>484,334</u> | <u>177,408</u> |
| Total liabilities | <u>7,704,997</u> | <u>6,647,071</u> | <u>1,057,926</u> |
| Net Assets | | | |
| Invested in capital assets | 11,947,696 | 11,914,952 | 32,744 |
| Restricted for: | | | |
| Capital projects | - | 1,477 | (1,477) |
| Other purposes | 4,309 | 117,011 | (112,702) |
| Unrestricted | <u>6,783,900</u> | <u>7,004,242</u> | <u>(220,342)</u> |
| Total net assets | <u>\$ 18,735,905</u> | <u>\$ 19,037,682</u> | <u>\$ (301,777)</u> |

Net Assets Governmental Activities



**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Governmental Activities

Total assets increased by \$756,149. The increase is the result of an increase in equity in pooled cash and cash equivalents held by the District. Total liabilities increased by \$1,057,926 mainly due to an increase in accounts payable.

The vast majority of revenue supporting all governmental activities is general revenues. General revenue totaled \$9,158,529 or 80.2 percent of the total revenue. Two significant portions of the general revenue are local property taxes and grants and entitlements, this constitutes 79.6 percent of total revenue. The remaining amount of revenue was in the form of program revenues that equated to \$2,267,230 or 19.8 percent of total revenue.

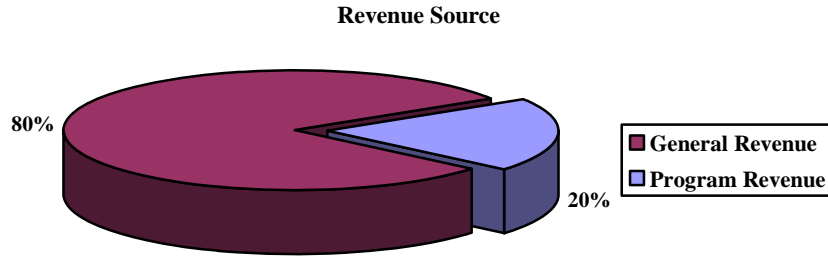
Table 2 summarizes the revenue, expenses and the changes in net assets for fiscal year 2011 with comparative totals for fiscal year 2010.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

**Table 2
Governmental Activities**

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| Revenues | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,094,989 | \$ 2,040,368 |
| Operating grants, and contributions | <u>1,172,241</u> | <u>599,338</u> |
| Total program revenues | <u>2,267,230</u> | <u>2,639,706</u> |
| General revenue: | | |
| Property taxes | 5,703,612 | 6,297,174 |
| Grants and entitlements | 3,393,886 | 3,366,378 |
| Investment earnings | 38,893 | 47,532 |
| Miscellaneous | <u>22,138</u> | <u>38,651</u> |
| Total general revenues | <u>9,158,529</u> | <u>9,749,735</u> |
| Total program and general revenues | <u>11,425,759</u> | <u>12,389,441</u> |
| Program expenses | | |
| Instruction: | | |
| Special | 696,458 | 469,455 |
| Vocational | 4,336,077 | 4,228,594 |
| Adult continuing | 1,101,619 | 1,094,250 |
| Support services: | | |
| Pupil | 963,709 | 1,047,707 |
| Instructional staff | 204,229 | 221,057 |
| Board of education | 258,842 | 101,043 |
| Administration | 1,433,843 | 1,374,011 |
| Fiscal | 543,128 | 497,331 |
| Business | 1,920 | 518 |
| Operation and maintenance of plant | 1,384,450 | 1,396,508 |
| Pupil transportation | 17,622 | 22,095 |
| Central | 567,953 | 553,732 |
| Operation of non-instructional services | 216,839 | 189,877 |
| Extracurricular activities | <u>847</u> | <u>199</u> |
| Total program expenses | <u>11,727,536</u> | <u>11,196,377</u> |
| Increase (decrease) in net assets | <u>\$ (301,777)</u> | <u>\$ 1,193,064</u> |

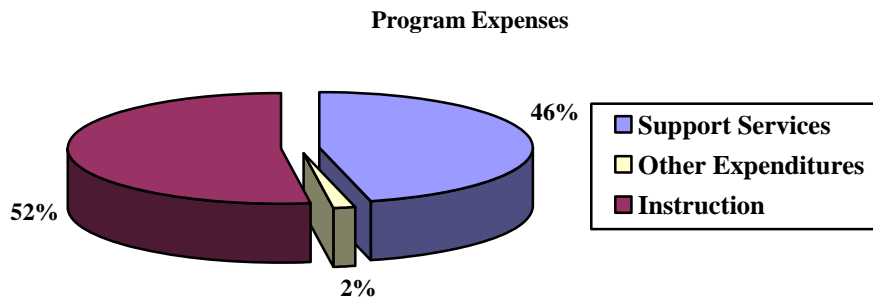
**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**



GOVERNMENTAL ACTIVITIES

The District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In October of 2011, the District submitted its yearly five-year forecast to the Ohio Department of Education. Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Approximately 52 percent of the District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 46 percent. The remaining program expenses of 2 percent are budgeted to facilitate other obligations of the District, such as the food service program, numerous extracurricular activities and uniform school supplies.



The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

**Table 3
Governmental Activities**

| | Total Cost of Services <u>2011</u> | Total Cost of Services <u>2010</u> | Net Cost of Services <u>2011</u> | Net Cost of Services <u>2010</u> |
|-------------------------------------|--|--|--|--|
| Instruction: | | | | |
| Special | \$ 696,458 | \$ 469,455 | \$ (696,458) | \$ (469,455) |
| Vocaional | 4,336,077 | 4,228,594 | (3,852,220) | (2,891,923) |
| Adult continuing | 1,101,619 | 1,094,250 | 153,550 | (795,025) |
| Support services: | | | | |
| Pupil | 963,709 | 1,047,707 | (730,634) | (310,293) |
| Instructional staff | 204,229 | 221,057 | (197,873) | (219,117) |
| Board of education | 258,842 | 101,043 | (258,842) | (101,043) |
| Administration | 1,433,843 | 1,374,011 | (1,433,843) | (1,371,964) |
| Fiscal | 543,128 | 497,331 | (543,128) | (497,331) |
| Business | 1,920 | 518 | (1,920) | (518) |
| Operations and maintenance of plant | 1,384,450 | 1,396,508 | (1,267,818) | (1,272,564) |
| Pupil transportation | 17,622 | 22,095 | (17,622) | (22,095) |
| Central | 567,953 | 553,732 | (520,468) | (547,899) |
| Operation of non-instructional | 216,839 | 189,877 | (92,183) | (57,245) |
| Extracurricular | 847 | 199 | (847) | (199) |
| Total program expenses | <u>\$ 11,727,536</u> | <u>\$ 11,196,377</u> | <u>\$ (9,460,306)</u> | <u>\$ (8,556,671)</u> |

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Local property taxes directly support 48.63 percent of expenses. Grants and entitlements not restricted to specific programs support 28.94 percent, while investments and other miscellaneous type revenues support the remaining activity costs. Program revenues fund only 19.33 percent of all governmental expenses.

District funds

Information regarding the District's major funds can be found on pages 14-17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,354,399 and expenditures of \$11,580,850. The net change in fund balances for the year was as follows: general fund \$324,970, adult education (\$553,387), and other governmental funds \$1,966.

General fund budgeting highlights

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

During the course of the fiscal year 2011, the District amended the general fund's budgeted expenditures for an insignificant amount. Fluctuations among the budget base expenditure categories are due to the District's site-based style of budgeting that is designed to tightly control expenses but provide flexibility for managers to redirect funds as conditions develop during the year.

Overall revenue received by the general fund was lower than revised budgetary projections by \$2,099 or 0.02 percent. The decrease was due primarily to taxes slightly under budget. Actual expenditures for the year were \$11,479,183 or 9.80 percent under general fund budget projections. The decrease was due to lower than anticipated expenditures and management controls to reduce the expenditures.

Capital Assets

All capital assets, except land, are reported net of depreciation. At the end of fiscal 2011, the District had \$11,947,696 invested in land construction in progress, land improvements, building and improvements, furniture and equipment and vehicles. Table 4 shows fiscal 2011 values compared to 2010.

**Table 4
Capital Assets**

| | <u>2011</u> | <u>2010</u> |
|-----------------------------------|----------------------|----------------------|
| Governmental Activities | | |
| Land and construction in progress | \$ 2,547,856 | \$ 2,089,087 |
| Land improvements | 183,950 | 217,843 |
| Building and improvements | 8,220,836 | 8,593,543 |
| Furniture and equipment | 940,891 | 949,714 |
| Vehicles | <u>54,163</u> | <u>64,765</u> |
| Total capital assets | <u>\$ 11,947,696</u> | <u>\$ 11,914,952</u> |

For the fiscal year 2011, the District had a roofing project in progress and acquired some additional equipment. See notes to the basic financial statements for detail on the District's capital assets.

District Outlook

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

In addition, the problem of limited growth in revenue, school districts are faced with the challenge of losing traditional sources of tax revenue through the Ohio General Assembly legislative actions. In 2003, the Ohio General Assembly passed Amended Substitute House Bill 95 that will phase-out, the taxation on business inventories.

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

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

Contacting the District's Financial Management

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

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Governmental Activities |
|--|----------------------------|
| <u>Assets:</u> | |
| Equity in pooled cash and cash equivalents | \$ 6,739,514 |
| Cash and cash equivalents: | |
| With fiscal agents | 258,467 |
| Receivables: | |
| Taxes | 6,390,282 |
| Accounts | 81,182 |
| Intergovernmental | 6,150 |
| Accrued interest | 7,097 |
| Prepaid items | 42,796 |
| Inventory held for resale | 532,243 |
| Materials and supplies inventory | 7,271 |
| Property held for resale | 428,204 |
| Capital assets: | |
| Land and construction in progress | 2,547,856 |
| Depreciable capital assets, net | 9,399,840 |
| Total capital assets | 11,947,696 |
| Total assets | 26,440,902 |
| <u>Liabilities:</u> | |
| Accounts payable | 568,840 |
| Accrued wages | 453,140 |
| Intergovernmental payable | 122,677 |
| Deferred revenue | 5,737,975 |
| Claims payable | 93,297 |
| Long-term liabilities: | |
| Due within one year | 67,326 |
| Due in more than one year | 661,742 |
| Total liabilities | 7,704,997 |
| <u>Net assets:</u> | |
| Invested in capital assets | 11,947,696 |
| Restricted for: | |
| Other purposes | 4,309 |
| Unrestricted | 6,783,900 |
| Total net assets | \$ 18,735,905 |

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Expenses | Program Revenues | | Net (Expense) |
|---|----------------------|----------------------|--|-----------------------------------|
| | | Charges for Services | Operating Grants, Contributions and Interest | Revenue and Changes in Net Assets |
| | | | | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Special | \$ 696,458 | \$ - | \$ - | \$ (696,458) |
| Vocational | 4,336,077 | 35,725 | 448,132 | (3,852,220) |
| Adult/continuing | 1,101,619 | 842,318 | 412,851 | 153,550 |
| Support services: | | | | |
| Pupils | 963,709 | 20,513 | 212,562 | (730,634) |
| Instructional staff | 204,229 | - | 6,356 | (197,873) |
| Board of education | 258,842 | - | - | (258,842) |
| Administration | 1,433,843 | - | - | (1,433,843) |
| Fiscal | 543,128 | - | - | (543,128) |
| Business | 1,920 | - | - | (1,920) |
| Operation and maintenance of plant | 1,384,450 | 114,357 | 2,275 | (1,267,818) |
| Pupil transportation | 17,622 | - | - | (17,622) |
| Central | 567,953 | 750 | 46,735 | (520,468) |
| Operation of non-instructional services | 216,839 | 81,326 | 43,330 | (92,183) |
| Extracurricular activities | 847 | - | - | (847) |
| Total governmental activities | \$ 11,727,536 | \$ 1,094,989 | \$ 1,172,241 | (9,460,306) |

General Revenues:

Property taxes levied for:

| | |
|---|------------------|
| General purposes | 5,703,612 |
| Grants and entitlements not restricted to specific programs | 3,393,886 |
| Investment earnings | 38,893 |
| Miscellaneous | 22,138 |
| Total general revenues | 9,158,529 |

Change in net assets (301,777)

Net assets at beginning of year 19,037,682

Net assets at end of year \$ 18,735,905

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

| | General | Adult Education | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------|--------------------------------|--------------------------------|
| <u>Assets:</u> | | | | |
| <u>Current assets:</u> | | | | |
| Equity in pooled cash and cash equivalents | \$ 6,708,167 | \$ 23,057 | \$ 8,290 | \$ 6,739,514 |
| Cash and cash equivalents: | | | | |
| In segregated accounts | 258,467 | - | - | 258,467 |
| Receivables: | | | | |
| Taxes | 6,390,282 | - | - | 6,390,282 |
| Accounts | 68,696 | 12,256 | 230 | 81,182 |
| Intergovernmental | - | 6,150 | - | 6,150 |
| Accrued interest | 7,097 | - | - | 7,097 |
| Prepaid items | 37,065 | 5,731 | - | 42,796 |
| Inventory held for resale | 530,899 | - | 1,344 | 532,243 |
| Materials and supplies inventory | 7,042 | - | 229 | 7,271 |
| Total current assets | <u>14,007,715</u> | <u>47,194</u> | <u>10,093</u> | <u>14,065,002</u> |
| <u>Noncurrent assets:</u> | | | | |
| Advances to other funds | 550,000 | - | - | 550,000 |
| Total assets | <u>\$ 14,557,715</u> | <u>\$ 47,194</u> | <u>\$ 10,093</u> | <u>\$ 14,615,002</u> |
| <u>Liabilities and fund balances:</u> | | | | |
| <u>Current liabilities:</u> | | | | |
| Accounts payable | \$ 553,687 | \$ 15,153 | \$ - | \$ 568,840 |
| Accrued wages | 411,803 | 37,166 | 4,171 | 453,140 |
| Intergovernmental payable | 108,701 | 8,278 | 5,698 | 122,677 |
| Deferred revenue | 6,137,309 | 7,295 | 104 | 6,144,708 |
| Claims payable | 93,297 | - | - | 93,297 |
| Total current liabilities | <u>7,304,797</u> | <u>67,892</u> | <u>9,973</u> | <u>7,382,662</u> |
| <u>Noncurrent liabilities:</u> | | | | |
| Advances from other funds | - | 550,000 | - | 550,000 |
| Total liabilities | <u>7,304,797</u> | <u>617,892</u> | <u>9,973</u> | <u>7,932,662</u> |
| <u>Fund balances:</u> | | | | |
| Nonspendable | 1,125,006 | 5,731 | 1,573 | 1,132,310 |
| Restricted | - | - | 4,309 | 4,309 |
| Assigned | 2,794,511 | - | 1,477 | 2,795,988 |
| Unassigned | 3,333,401 | (576,429) | (7,239) | 2,749,733 |
| Total fund balances | <u>7,252,918</u> | <u>(570,698)</u> | <u>120</u> | <u>6,682,340</u> |
| Total liabilities and fund balances | <u>\$ 14,557,715</u> | <u>\$ 47,194</u> | <u>\$ 10,093</u> | <u>\$ 14,615,002</u> |

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

| | | |
|--|------------|---------------|
| Total governmental funds balances | | \$ 6,682,340 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets and land held for resale used in governmental activities are not financial resources and therefore are not reported in the funds. | | 12,375,900 |
| Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Property taxes | \$ 349,334 | |
| Intergovernmental | 5,904 | |
| Tuition and fees | 1,391 | |
| Rent | 50,000 | |
| Miscellaneous | 104 | |
| Total | 406,733 | 406,733 |
| Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds: | | |
| Compensated absences | | (729,068) |
| Net assets of governmental activities | | \$ 18,735,905 |

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | General | Adult Education | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|--------------------------------|--------------------------------|
| <u>Revenues:</u> | | | | |
| Taxes | \$ 5,689,546 | \$ - | \$ - | \$ 5,689,546 |
| Intergovernmental | 3,393,886 | 297,735 | 868,602 | 4,560,223 |
| Interest | 38,893 | - | - | 38,893 |
| Tuition and fees | 21,913 | 782,930 | - | 804,843 |
| Charges for services | 75,994 | - | 81,228 | 157,222 |
| Rent | 22,188 | - | - | 22,188 |
| Miscellaneous | 22,888 | 57,997 | 599 | 81,484 |
| Total revenues | <u>9,265,308</u> | <u>1,138,662</u> | <u>950,429</u> | <u>11,354,399</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Special | 669,453 | - | - | 669,453 |
| Vocational | 3,516,231 | - | 322,282 | 3,838,513 |
| Adult/continuing | - | 994,968 | 109,423 | 1,104,391 |
| Support services: | | | | |
| Pupils | 461,901 | 276,425 | 212,538 | 950,864 |
| Instructional staff | 90,227 | - | 6,356 | 96,583 |
| Board of education | 258,052 | - | - | 258,052 |
| Administration | 971,124 | 408,664 | - | 1,379,788 |
| Fiscal | 509,587 | - | - | 509,587 |
| Business | 1,920 | - | - | 1,920 |
| Operation and maintenance of plant | 1,270,950 | 11,992 | 2,275 | 1,285,217 |
| Pupil transportation | 16,997 | - | - | 16,997 |
| Central | 514,027 | - | 46,735 | 560,762 |
| Operation of non-instructional services | 10,040 | - | 196,296 | 206,336 |
| Extracurricular activities | 379 | - | 468 | 847 |
| Capital outlay | 578,355 | - | 123,185 | 701,540 |
| Total expenditures | <u>8,869,243</u> | <u>1,692,049</u> | <u>1,019,558</u> | <u>11,580,850</u> |
| Excess of revenues over (under) expenditures | <u>396,065</u> | <u>(553,387)</u> | <u>(69,129)</u> | <u>(226,451)</u> |
| <u>Other financing sources (uses):</u> | | | | |
| Transfers in | - | - | 71,095 | 71,095 |
| Transfers out | (71,095) | - | - | (71,095) |
| Total other financing sources (uses) | <u>(71,095)</u> | <u>-</u> | <u>71,095</u> | <u>-</u> |
| Net change in fund balances | 324,970 | (553,387) | 1,966 | (226,451) |
| Fund balances at beginning of year, restated | <u>6,927,948</u> | <u>(17,311)</u> | <u>(1,846)</u> | <u>6,908,791</u> |
| Fund balances at end of year | <u>\$ 7,252,918</u> | <u>\$ (570,698)</u> | <u>\$ 120</u> | <u>\$ 6,682,340</u> |

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ (226,451)

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

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

In the current period, these amounts are:

| | | |
|---|------------|--------|
| Capital asset and land held for resale additions | \$ 701,540 | |
| Depreciation expense | (668,796) | |
| | | |
| Excess of depreciation expense over capital asset additions | | 32,744 |

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

| | | |
|---|-----------|--------|
| Property taxes | \$ 14,066 | |
| Intergovernmental | 5,904 | |
| Tuition and fees | 1,391 | |
| Charges for services | (105) | |
| Rent | 50,000 | |
| Miscellaneous | 104 | |
| | | |
| Net change in deferred revenues during the year | | 71,360 |

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

| | | |
|----------------------------------|--------------|-----------|
| Increase in compensated absences | \$ (179,430) | |
| Total reduced expenditures | | (179,430) |

Change in net assets of governmental activities \$ (301,777)

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| <u>Revenues:</u> | | | | |
| Taxes | \$ 6,710,757 | \$ 6,048,729 | \$ 6,046,630 | \$ (2,099) |
| Intergovernmental | 3,893,886 | 3,393,886 | 3,393,886 | - |
| Interest | 60,121 | 60,121 | 60,121 | - |
| Tuition and fees | 21,913 | 21,913 | 21,913 | - |
| Charges for services | 55,713 | 55,713 | 55,713 | - |
| Rent | 40,569 | 40,569 | 40,569 | - |
| Miscellaneous | 20,236 | 20,236 | 20,236 | - |
| Total revenues | <u>10,803,195</u> | <u>9,641,167</u> | <u>9,639,068</u> | <u>(2,099)</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Special | 954,006 | 808,739 | 634,792 | 173,947 |
| Vocational | 3,552,089 | 3,525,087 | 3,510,363 | 14,724 |
| Support services: | | | | |
| Pupils | 589,823 | 508,840 | 457,728 | 51,112 |
| Instructional staff | 38,000 | 118,983 | 118,983 | - |
| Board of education | 159,327 | 239,227 | 239,227 | - |
| Administration | 962,588 | 988,145 | 988,145 | - |
| Fiscal | 541,742 | 541,742 | 499,681 | 42,061 |
| Business | - | 1,920 | 1,920 | - |
| Operation and maintenance of plant | 1,260,361 | 1,261,030 | 1,261,030 | - |
| Pupil transportation | 21,496 | 21,496 | 18,493 | 3,003 |
| Central | 741,171 | 741,171 | 657,159 | 84,012 |
| Operation of non-instructional services | - | 10,040 | 10,040 | - |
| Extracurricular activities | - | 379 | 379 | - |
| Capital outlay | 1,184,309 | 3,837,113 | 3,081,243 | 755,870 |
| Total expenditures | <u>10,004,912</u> | <u>12,603,912</u> | <u>11,479,183</u> | <u>1,124,729</u> |
| Excess of revenues over (under) expenditures | <u>798,283</u> | <u>(2,962,745)</u> | <u>(1,840,115)</u> | <u>1,122,630</u> |
| <u>Other financing sources (uses):</u> | | | | |
| Proceeds from the sale of capital assets | - | 2,455 | 2,455 | - |
| Refund of prior year expenditures | - | 30,445 | 30,445 | - |
| Refund of prior year receipts | - | (662) | (662) | - |
| Advances in | - | - | 47,000 | 47,000 |
| Advances out | (100,000) | (497,000) | (497,000) | - |
| Transfers in | - | - | 55,000 | 55,000 |
| Transfers out | (105,000) | (107,338) | (96,095) | 11,243 |
| Total other financing sources (uses) | <u>(205,000)</u> | <u>(572,100)</u> | <u>(458,857)</u> | <u>113,243</u> |
| Net change in fund balance | 593,283 | (3,534,845) | (2,298,972) | 1,235,873 |
| Fund balances at beginning of year | 5,879,858 | 5,879,858 | 5,879,858 | - |
| Prior year encumbrances appropriated | 57,912 | 57,912 | 57,912 | - |
| Fund balances at end of year | <u>\$ 6,531,053</u> | <u>\$ 2,402,925</u> | <u>\$ 3,638,798</u> | <u>\$ 1,235,873</u> |

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
ADULT EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|------------------|---|
| <u>Revenues:</u> | | | | |
| Intergovernmental | \$ 297,735 | \$ 297,735 | \$ 297,735 | \$ - |
| Tuition and fees | 845,414 | 878,182 | 779,286 | (98,896) |
| Miscellaneous | 56,851 | 57,955 | 57,955 | - |
| Total revenues | <u>1,200,000</u> | <u>1,233,872</u> | <u>1,134,976</u> | <u>(98,896)</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Adult/continuing | 995,009 | 1,017,040 | 1,006,329 | 10,711 |
| Support services: | | | | |
| Pupils | 351,043 | 287,282 | 287,282 | - |
| Administration | 342,932 | 415,289 | 415,289 | - |
| Operation and maintenance of plant | 12,267 | 13,640 | 13,640 | - |
| Total expenditures | <u>1,701,251</u> | <u>1,733,251</u> | <u>1,722,540</u> | <u>10,711</u> |
| Excess of revenues under expenditures | <u>(501,251)</u> | <u>(499,379)</u> | <u>(587,564)</u> | <u>(88,185)</u> |
| <u>Other financing sources (uses):</u> | | | | |
| Refund of prior year expenditures | - | - | 506 | 506 |
| Refund of prior year receipts | (11) | (11) | - | 11 |
| Advances in | 450,000 | 450,000 | 450,000 | - |
| Total other financing (sources) uses | <u>449,989</u> | <u>449,989</u> | <u>450,506</u> | <u>517</u> |
| Net change in fund balance | (51,262) | (49,390) | (137,058) | (87,668) |
| Fund balances at beginning of year | 149,878 | 149,878 | 149,878 | - |
| Prior year encumbrances appropriated | 1,262 | 1,262 | 1,262 | - |
| Fund balances at end of year | <u>\$ 99,878</u> | <u>\$ 101,750</u> | <u>\$ 14,082</u> | <u>\$ (87,668)</u> |

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY FUNDS
AGENCY FUND
JUNE 30, 2011

| | <u>Agency</u> |
|--|------------------|
| <u>Assets:</u> | |
| Equity in pooled cash and cash equivalents | \$ 85,160 |
| Total assets | <u>\$ 85,160</u> |
| | |
| <u>Liabilities:</u> | |
| Due to students | \$ 85,160 |
| Total liabilities | <u>\$ 85,160</u> |

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Note 1 – Description of the District and Reporting Entity

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

Average daily membership (ADM) as of June 30, 2011 was 611. The District employed 46 certificated employees and 30 non-certificated employees.

Reporting Entity

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

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. For fiscal year 2011, the District did not report any proprietary activity.

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

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

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

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

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

C. Measurement Focus

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

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Investments

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

During fiscal year 2011, investments were limited to STAROhio, certificates of deposit, and government sponsored enterprise securities. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year 2011 amounted to \$38,893 in the general fund and \$1,870 assigned from other governmental funds.

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

F. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws or other governments or imposed by enabling legislation. There are no restricted assets in 2011. See Note 19 for additional information.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

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

I. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|---------------------------|--|
| Building and improvements | 10 - 50 years |
| Furniture and equipment | 5 - 10 years |
| Vehicles | 10 years |
| Text books | 6 years |

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
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J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits in the District's termination policy. The District records a liability for accumulated unused sick leave for classified, certified and administrative employees after fifteen years of service with the District.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Fund Balance

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

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

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

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

Assigned fund balance classifications are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

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N. Interfund Activity

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

O. Estimates

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

P. Budgetary Data

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

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

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

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

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Note 3 – Change in Accounting Principles and Restatement of Fund Balance

A. Change in accounting principles

For the fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

B. Restatement of prior year’s fund balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

| | <u>General</u> | <u>Adult Education</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|---------------------|----------------------------|---|---------------------|
| Fund balance at June 30, 2010 | \$ 6,839,731 | \$ (17,311) | \$ 86,371 | \$ 6,908,791 |
| Change in fund structure | <u>88,217</u> | <u>-</u> | <u>(88,217)</u> | <u>-</u> |
| Adjusted fund balance at July 1, 2010 | <u>\$ 6,927,948</u> | <u>\$ (17,311)</u> | <u>\$ (1,846)</u> | <u>\$ 6,908,791</u> |

Note 4 – Fund Balances

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

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| Fund Balances | <u>General</u> | <u>Adult Education</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------------|---------------------|----------------------------|---|---|
| <u>Nonspendable</u> | | | | |
| Materials and supplies inventory | \$ 537,941 | \$ - | \$ 1,573 | \$ 539,514 |
| Prepays | 37,065 | 5,731 | - | 42,796 |
| Long term advances | 550,000 | - | - | 550,000 |
| Total nonspendable | <u>1,125,006</u> | <u>5,731</u> | <u>1,573</u> | <u>1,132,310</u> |
| <u>Restricted for</u> | | | | |
| Adult education | - | - | 997 | 997 |
| Local grants | - | - | 3,312 | 3,312 |
| Total restricted | <u>-</u> | <u>-</u> | <u>4,309</u> | <u>4,309</u> |
| <u>Assigned</u> | | | | |
| Customer services | 117,805 | - | - | 117,805 |
| Uniform school supplies | 24,793 | - | - | 24,793 |
| Public school support | 851 | - | - | 851 |
| Permanent improvements | - | - | 1,477 | 1,477 |
| Other purposes | 2,651,062 | - | - | 2,651,062 |
| Total assigned | <u>2,794,511</u> | <u>-</u> | <u>1,477</u> | <u>2,795,988</u> |
| Unassigned (deficit) | <u>3,333,401</u> | <u>(576,429)</u> | <u>(7,239)</u> | <u>2,749,733</u> |
| Total fund balances | <u>\$ 7,252,918</u> | <u>\$ (570,698)</u> | <u>\$ 120</u> | <u>\$ 6,682,340</u> |

Note 5 – Accountability

The following funds had a deficit fund balance as of June 30, 2011:

| | <u>Amount</u> |
|------------------------------|---------------|
| Special revenue funds: | |
| Adult education | \$570,698 |
| Food service | 1,478 |
| Adult basic education | 751 |
| Miscellaneous federal grants | 5,010 |

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

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Note 6 – Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the general fund and the adult education special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

| | Net Change in Fund Balance | |
|---|----------------------------|----------------------------|
| | <u>General</u> | <u>Adult Education</u> |
| GAAP basis | \$ 324,970 | \$ (553,387) |
| Revenue accruals | 455,134 | (3,180) |
| Prior year adjustment for fair market value of investments | 8,106 | - |
| Current year adjustment to fair market value of investments | (830) | - |
| Advances in | 47,000 | 450,000 |
| Expenditure accruals | 385,944 | (21,516) |
| Advances out | (497,000) | - |
| Budgeted as part of special revenue funds: | | |
| Revenues | (750) | - |
| Transfers to/from general fund | 30,000 | - |
| Expenditures | 33,323 | - |
| Encumbrances (Budget Basis) outstanding at year end | <u>(3,084,869)</u> | <u>(8,975)</u> |
| Budget basis | <u>\$ (2,298,972)</u> | <u>\$ (137,058)</u> |

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Note 7 – Deposits and Investments

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

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

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

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

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

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

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

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with a fiscal agent - At June 30, 2011, the District's general fund had a balance of \$258,467 with the Lake County Council of Governments Health Care Benefits Program (a claims servicing pool). This balance was determined by the Lake County Council of Governments Health Care Benefits Program based on the incurred but not reported calculation for the group as a whole and then broken down by the number of the District's participants (See Note 11). The District is self insured through this fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. To obtain financial information, write to the Treasurer, 30 South Park Place, Suite 320, Painesville, Ohio 44077.

Cash on hand – At fiscal year end, the District had \$1,315 in undeposited cash on hand, which is included in the balance sheet of the District as part of equity in pooled cash and cash equivalents.

Deposits

At June 30, 2011, the carrying amount of all District deposits was \$4,250,666. Based on the criteria described in GASB Statement No. 40, "Deposits and investment Risk Disclosures", as of June 30, 2011, the District's bank balance of \$4,625,040 was not exposed to custodial risk.

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

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Investments

Investments are reported at fair value. As of June 30, 2011, the District had the following investments:

| | Fair <u>Value</u> | <u>Maturity</u> | <u>Rating</u> |
|--------------------------|----------------------|---------------------|--------------------|
| Federal Home Loan Bank | \$ 500,560 | 02/28/12 | AAA ⁽¹⁾ |
| Federal Farm Credit Bank | 499,910 | 10/26/12 | AAA ⁽¹⁾ |
| Federal Home Loan Bank | 508,510 | 11/21/12 | AAA ⁽¹⁾ |
| Federal Home Loan Bank | 500,605 | 09/09/13 | AAA ⁽¹⁾ |
| Federal Home Loan Bank | 250,040 | 09/02/14 | AAA ⁽¹⁾ |
| STAROhio | 313,068 | 58.3 ⁽²⁾ | AAA ⁽¹⁾ |
| Total | <u>\$ 2,572,693</u> | | |

⁽¹⁾ Standard and Poor's rating

⁽²⁾ Days (Average)

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the 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 investments in Federal Home Loan Bank (FHLB) and Federal Farm Credit Bank (FFCB) are held by the counterparty's trust department or agent and not in the District's name. The District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

Credit Risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The Federal Home Loan Bank Notes and the Federal Farm Credit Bank Notes all carry a rating of AAA by Standard & Poor's. STAROhio also carries a rating of AAA by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk is the possibility of loss attributed to the magnitude of the District's investment in a single issuer. More than 10 percent of the District's investments are in FHLB and FFCB Bonds. The District places no limit on the amount it may invest in any one issuer. These investments were equal to 68.40 percent and 19.43 percent of investments held by the District at June 30, 2011.

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Note 8 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2010 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 tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Calendar year 2010 is the last year for the collection of tangible personal property taxes from telephone companies. 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 District receives property taxes from Lake County, Geauga County and Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$302,973 in the general fund. The amount available as an advance at June 30, 2010, was \$660,057 in the general fund.

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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 deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

| | <u>Lake County</u> | <u>Geauga County</u> | <u>Trumbull County</u> |
|--|-------------------------|--------------------------|----------------------------|
| Real property - 2010 valuations | | | |
| Residential/agricultural | \$ 1,871,444,760 | \$ 1,794,372,770 | \$ 3,139,240 |
| Other | 409,171,950 | 301,156,170 | - |
| Tangible personal property | | | |
| Public utilities | <u>236,640,660</u> | <u>41,570,590</u> | <u>-</u> |
| Total | <u>\$ 2,517,257,370</u> | <u>\$ 2,137,099,530</u> | <u>\$ 3,139,240</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 1.50 | \$ 1.50 | \$ 1.50 |

Note 9 – Receivables

Receivables at June 30, 2011 consisted of taxes, accounts, accrued interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year. The following is a summary of the intergovernmental receivables.

| | <u>Amount</u> |
|--------------------------|---------------|
| Governmental activities: | |
| Adult education | \$ 6,150 |

Note 10 – Capital Assets and Property Held for Resale

A. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

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| | Balance June 30, <u>2010</u> | <u>Additions</u> | <u>Deductions</u> | Balance June 30, <u>2011</u> |
|---|------------------------------------|------------------|-------------------|------------------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 2,089,087 | \$ - | \$ - | \$ 2,089,087 |
| Construction in progress | <u>-</u> | <u>458,769</u> | <u>-</u> | <u>458,769</u> |
| Total capital assets, not being depreciated | <u>2,089,087</u> | <u>458,769</u> | <u>-</u> | <u>2,547,856</u> |
| Capital assets, being depreciated | | | | |
| Land improvements | 743,107 | - | - | 743,107 |
| Building and building improvements | 14,535,879 | - | - | 14,535,879 |
| Furniture and equipment | 4,886,944 | 242,771 | - | 5,129,715 |
| Vehicle | 196,441 | - | - | 196,441 |
| Library and text books | <u>84,008</u> | <u>-</u> | <u>-</u> | <u>84,008</u> |
| Total capital assets being depreciated | <u>20,446,379</u> | <u>242,771</u> | <u>-</u> | <u>20,689,150</u> |
| Less accumulated depreciation | | | | |
| Land improvements | (525,264) | (33,893) | - | (559,157) |
| Building and building improvements | (5,942,336) | (372,707) | - | (6,315,043) |
| Furniture and equipment | (3,937,230) | (251,594) | - | (4,188,824) |
| Vehicle | (131,676) | (10,602) | - | (142,278) |
| Library and text books | <u>(84,008)</u> | <u>-</u> | <u>-</u> | <u>(84,008)</u> |
| Total accumulated depreciation | <u>(10,620,514)</u> | <u>(668,796)</u> | <u>-</u> | <u>(11,289,310)</u> |
| Total capital assets being depreciated, net | <u>9,825,865</u> | <u>(426,025)</u> | <u>-</u> | <u>9,399,840</u> |
| Governmental activities capital assets, net | <u>\$ 11,914,952</u> | <u>\$ 32,744</u> | <u>\$ -</u> | <u>\$ 11,947,696</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|-------------------|
| Instruction: | |
| Vocational | \$ 441,378 |
| Adult education | 1,973 |
| Support services: | |
| Pupil | 3,493 |
| Instructional staff | 107,646 |
| Board of education | 790 |
| Administration | 9,149 |
| Operation and maintenance of plant | 96,232 |
| Pupil transportation | 625 |
| Operation of non-instructional services | <u>7,510</u> |
| Total depreciation expense | <u>\$ 668,796</u> |

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B. Property Held for Resale

Property held for resale of \$428,204 was purchased by the District for housing projects built by the District students. There was no change in the property held for resale during the fiscal year, leaving a balance of \$428,204 yet to be sold. Proceeds from the sale of the land and house will be used for subsequent projects. The sale date of the property cannot be estimated therefore is included as a long-term asset.

| | Balance June 30, <u>2010</u> | <u>Additions</u> | <u>Deductions</u> | Balance June 30, <u>2011</u> |
|--------------------------|------------------------------------|------------------|-------------------|------------------------------------|
| Governmental Activities | | | | |
| Property held for resale | \$ 428,204 | \$ - | \$ - | \$ 428,204 |

Note 11 – Risk Management

A. Property and Liability

The District has contracted with Argonaut Insurance for their Property and Casualty Insurance Program. The program includes Property Insurance (which includes Flood, Earthquake, Inland Marine, Crime and Boiler and Machinery), General Liability Insurance with limits of \$1,000,000 each occurrence and \$3,000,000 aggregate (which includes Sexual Misconduct and Molestation Insurance and School Leaders E&O Insurance). The Auto Liability Insurance coverage has limits of \$1,000,000 combined single limit each accident. The District's property and casualty insurance program also has an Umbrella Liability Insurance policy with limits of \$3,000,000 each occurrence and \$3,000,000 aggregate.

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

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

B. Workers' Compensation

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

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

C. Employee Medical Benefits

The District has elected to provide medical coverage through a self-insured program. The District uses the general fund to account for and finance its uninsured risks of loss in this program. The claims are serviced through the Lake County Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110 percent of expected claims. The claims liability as reported in the general fund was provided by the third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

The June 30, 2011 claims liability was determined based on the percentage of the District’s participants to total pool participants. For the year ended June 30, 2011, the pool’s cash reserves and claims liability were \$7,697,518 and \$2,778,530, respectively. The District’s allocated pool percentage for the year ended June 30, 2011 was 3.4 percent, which represents \$258,467 and \$93,297 of pool cash reserves and claims liabilities, respectively.

| | Balance at Beginning of Year | Current Year Claims | Current Year Payments | Balance at End of Year |
|------|------------------------------------|---------------------------|-----------------------------|------------------------------|
| 2011 | \$ 90,445 | 966,976 | 964,124 | 93,297 |
| 2010 | \$ 98,260 | 917,937 | 925,752 | 90,445 |

Note 12 – Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$215,744, \$252,823 and \$170,703 respectively; 98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$653,466, \$686,469, and \$645,514 respectively; 92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$51,642 made by the District and \$36,887 made by the plan members.

Note 13 – Postemployment Benefits

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$47,587, \$30,650, and \$119,999 respectively; 94.6 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$13,884, \$15,035, and \$14,084 respectively; 88 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$50,267, \$52,805, and \$49,655 respectively; 95.5 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 14 – Employee Benefits

Compensated Absences

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

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Note 15 – Jointly Governed Organizations

A. Ohio Schools Council

The Ohio Schools Council Association (Council) is a jointly governed organization among school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, OH 44131.

B. Lake-Geauga Computer Association

The Lake-Geauga Computer Association (LGCA) is a jointly governed organization among two county consortiums of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LGCA based on a per pupil charge. LGCA is governed by an Assembly consisting of two representatives from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Assembly. Continued existence of the LGCA Computer Center is not dependent on the District's continued participation. During fiscal year 2011, the District contributed \$30,227 to LGCA. Financial information can be obtained from LGCA, 8221 Auburn Road, Painesville, OH 44077.

Note 16 – Claims Servicing Pool

The District participates in the Lake County Council of Governments Health Care Benefits (HCBP) Self Insurance Program, a claims servicing pool comprised of eleven Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five-member Board of Directors elected by the HCBP's assembly. The assembly elects officers for one-year terms to serve on the Board of Directors. All participating members retain their risk and are completely responsible for paying their own claims. The HCBP acts solely as the claims servicing agent.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 17 – Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

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

Note 18 – Interfund Transactions

Long-term advances at June 30, 2011 consisted of the following:

| | |
|--|--------------------------|
| Advances to adult education fund from: | |
| General fund | <u>\$ 550,000</u> |
| Total advances to/from other funds | <u><u>\$ 550,000</u></u> |

As of June 30, 2011, \$550,000 of interfund loans outstanding are classified as long-term and are anticipated to be repaid at a future date.

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

Interfund transfers for the year ended June 30, 2011, consisted of the following:

| | |
|--|-----------|
| Transfers to nonmajor governmental funds from: | |
| General fund | \$ 71,095 |

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 19 – Set-Asides

The District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. However, the amount restricted for textbooks and instructional materials will be eliminated following the close of the fiscal year as explained below.

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

| | Textbooks Instructional Materials <u>Reserve</u> | Capital Improvements <u>Reserve</u> |
|---|---|---|
| Set-aside reserve balance as of June 30, 2010 | \$ (1,252,817) | \$ - |
| Current year set-aside requirement | 59,797 | 59,797 |
| Qualifying disbursements | <u>(191,602)</u> | <u>(126,225)</u> |
| Total | <u>\$ (1,384,622)</u> | <u>\$ (66,428)</u> |
| Set-aside balance as of June 30, 2011 and carried forward to future fiscal years | <u>\$ -</u> | <u>\$ -</u> |

The District had qualifying disbursements during the fiscal year that reduced the set-aside amount to (\$1,384,622) for the textbook set-aside. Effective July 1, 2011, the textbook set aside is no longer required as the obligation was repealed by the 129th General Assembly in Amended Substitute House Bill Number 30. This balance is therefore not presented as being carried forward to future fiscal year. Although, the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

Note 20 – Long-Term Obligations

Changes in long-term obligations of the District during fiscal year 2011 were as follows:

| | Outstanding <u>June 30, 2010</u> | <u>Additions</u> | <u>Deductions</u> | Outstanding <u>June 30, 2011</u> | Amounts Due in <u>One Year</u> |
|-----------------------------|-------------------------------------|-------------------|--------------------|-------------------------------------|--------------------------------------|
| Compensated absences | \$ 549,638 | \$ 252,552 | \$ (73,122) | \$ 729,068 | \$ 67,326 |
| Total long-term obligations | <u>\$ 549,638</u> | <u>\$ 252,552</u> | <u>\$ (73,122)</u> | <u>\$ 729,068</u> | <u>\$ 67,326</u> |

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

Note 21 – Subsequent Events

Following the close of the fiscal year, the District issued \$2,800,000 in School Improvement Bonds at an interest rate of 3.61% for the purpose of constructing, renovating, rehabilitating, equipping and remodeling school facilities to conserve energy. The first payment on these bonds will be due on June 1, 2012. These bonds are to be repaid from the debt service fund and are scheduled to mature in June, 2026.

Note 22 – Contractual Commitments

As of June 30, 2011, the District had contractual commitments for a roofing project.

| <u>Company</u> | <u>Project</u> | <u>Purchase Commitments</u> | <u>Amount paid as of June 30, 2011</u> | <u>Amount remaining on contracts</u> |
|--------------------------|--------------------|---------------------------------|--|--|
| Capstone Construction | Roofing contractor | \$ 801,000 | \$ 387,249 | \$ 413,751 |
| Cold Harbor Building Co. | General contractor | 1,550,000 | 1,104,500 | 445,500 |
| | Totals | <u>\$ 2,351,000</u> | <u>\$ 1,491,749</u> | <u>\$ 859,251</u> |

AUBURN VOCATIONAL SCHOOL DISTRICT
Schedule of Federal Award Expenditures
For the Year Ended June 30, 2011

| Federal Grantor/Program Title | CFDA Number | Receipts Recognized | Program Expenditures |
|---|----------------|------------------------|-------------------------|
| <u>U.S. Department of Education</u> | | | |
| <i>Direct assistance:</i> | | | |
| Alternative Energy Technology | 84.215K | \$ 210,360 | \$ 210,360 |
| <i>Passed through Ohio Department of Education:</i> | | | |
| Adult Education | | | |
| Adult Education - Able Literacy | 84.002 | 14,768 | 14,768 |
| Adult Education - Able Basic | 84.002 | <u>192,723</u> | <u>192,723</u> |
| Total Adult Education - State Grants | | 207,491 | 207,491 |
| Career and Technical Education - Basic Grants to States (Perkins) | 84.048 | 358,411 | 358,411 |
| Rural Education Achievement Program (REAP) | 84.358 | <u>41,735</u> | <u>41,735</u> |
| Total U.S. Department of Education | | 817,997 | 817,997 |
| <u>U.S. Department of Agriculture</u> | | | |
| Nutrition Cluster: | | | |
| <i>Passed through Ohio Department of Education:</i> | | | |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | 11,755 | 11,755 |
| School Lunch Program | 10.555 | 34,994 | 34,994 |
| Special Milk Program | 10.556 | 56 | 56 |
| <i>Direct Program:</i> | | | |
| Non-Cash Assistance | | | |
| National School Lunch Program - See Note 2 | 10.555 | <u>7,745</u> | <u>7,745</u> |
| Total Nutrition Cluster | | <u>54,550</u> | <u>54,550</u> |
| Total U.S. Department of Agriculture | | 54,550 | 54,550 |
| Total Federal Receipts and Expenditures | | <u>\$ 872,547</u> | <u>\$ 872,547</u> |

See accompanying notes to the Schedule of Federal Awards Expenditures

AUBURN VOCATIONAL SCHOOL DISTRICT
Lake County, Ohio
Notes to the Schedule of Federal Award Expenditures
For the Year Ended June 30, 2011

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2011, the District had food commodities in inventory.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44027

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auburn Vocational School District, (District), Lake County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2011, wherein we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

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

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Charles E. Harris".

Charles E. Harris and Associates, Inc.

December 23, 2011

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44027

To the Board of Education:

Compliance

We have audited the Auburn Vocational School District, Lake County, Ohio's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Auburn Vocational School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Auburn Vocational School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of Education, the audit committee, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles Harris Associates

CHARLES E. HARRIS & ASSOCIATES, INC.

December 23, 2011

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|---|
| (d)(1)(i) | <i>Type of Financial Statement Opinion</i> | Unqualified |
| (d)(1)(ii) | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(ii) | <i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(iii) | <i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(iv) | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| (d)(1)(iv) | <i>Were there any significant deficiencies reported for major federal programs?</i> | No |
| (d)(1)(v) | <i>Type of Major Programs' Compliance Opinion</i> | Unqualified |
| (d)(1)(vi) | <i>Are there any reportable findings</i> | No |
| (d)(1)(vii) | <i>Major Programs:</i> | Career and Technical Education - Basic Grants to States (Perkins) - CFDA # 84.048 Alternative Energy Technology - CFDA # 84.215K |
| (d)(1)(viii) | <i>Dollar Threshold: Type A\B Programs</i> | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | <i>Low Risk Auditee?</i> | No |

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
JUNE 30, 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending June 30, 2010, reported no material citations or recommendations.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

Independent Accountants' Report on Applying Agreed-Upon Procedure

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44027

To the Board of Education:

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

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

We noted the Board of Education amended its anti-harassment policy at its meeting on March 11, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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



Charles E. Harris & Associates, Inc.
December 23, 2011



Dave Yost • Auditor of State

AUBURN VOCATIONAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 16, 2012**