



Dave Yost • Auditor of State

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Warren County Vocational School District
Warren County
3529 N. State Route 48
Lebanon, Ohio 45036

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren County Vocational School District, Warren County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren County Vocational School District, Warren County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Adult Education funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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 basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 16, 2013

**WARREN COUNTY VOCATION SCHOOL DISTRICT
WARREN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The management's discussion and analysis of Warren County Vocational School District's (the School District) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the financial statement and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- Governmental total assets exceeded total liabilities at the close of the most recent fiscal year by \$18.93 million for governmental activities.
- Governmental general revenues accounted for \$14.02 million in revenue or 76.11 percent of all revenues. Program specific revenues in charges for services and grants and contributions accounted for \$4.40 million or 23.89 percent of \$18.42 million in total revenue.
- The business-type activities were financed through programs revenues of \$0.14 million resulting in year end net assets of \$0.22 million.
- At the end of the current fiscal year, cash and cash equivalents of \$16.12 million accounted for 62.74 percent of total assets, excluding capital assets, an increase of over eleven percent from last year's amount mainly as a result of the cash increase the permanent improvement fund balance.
- The School District had \$17.50 million in expenses relating to governmental activities; only \$4.40 million of these expenses were offset by program specific revenues. General revenues were adequate to cover the \$13.11 million net expense of governmental programs.
- Among major funds, the general fund had \$14.68 million in revenues and \$12.10 million in expenditures. The general fund's balance at the close of the current year was 50.82 percent of the current year's expenditures.

**WARREN COUNTY VOCATION SCHOOL DISTRICT
WARREN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general instruction of secondary students and the associated support for those services. The business-type activities include general customer services for the School District. The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into three categories: governmental, proprietary and fiduciary funds.

**WARREN COUNTY VOCATION SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District reports on eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general, adult education and permanent improvement funds, which are considered major funds. Data from the other fifteen governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary Funds. The School District maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School District uses enterprise funds to account for its customer service. The proprietary fund statements can be found on pages 19-21.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 22 of this report.

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WARREN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 23 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2011 to 2012.

*Table 1
Net Assets*

	<i>Governmental Activities</i>			<i>Business-Type Activities</i>		
	<i>(In millions)</i>					
	2011	2012	Change	2011	2012	Change
Assets						
Current and Other Assets	\$23.72	\$25.49	\$1.77	\$207,787	\$212,603	\$4,816
Capital Assets	11.08	10.17	(0.91)	11,749	6,528	(5,221)
<i>Total Assets</i>	<u>34.80</u>	<u>35.66</u>	<u>0.86</u>	<u>219,536</u>	<u>219,131</u>	<u>(405)</u>
Liabilities						
Long-term Liabilities	7.70	7.13	(0.57)	0	0	0
Other Liabilities	9.09	9.61	0.52	7,725	2,663	(5,062)
<i>Total Liabilities</i>	<u>16.79</u>	<u>16.74</u>	<u>(0.05)</u>	<u>7,725</u>	<u>2,663</u>	<u>(5,062)</u>
Net Assets						
Invested in Capital Assets, net of related debt	3.83	3.38	(0.45)	11,749	6,528	(5,221)
Restricted	1.26	8.39	7.13	0	0	0
Unrestricted	12.92	7.15	(5.77)	200,062	209,940	9,878
<i>Total Net Assets</i>	<u>\$18.01</u>	<u>\$18.92</u>	<u>\$0.91</u>	<u>\$211,811</u>	<u>\$216,468</u>	<u>\$4,657</u>

Total liabilities for governmental activities decreased slightly as the School District made the annual payment on the certificates of participation notes and house bill 264 energy bonds. The School District saw the current and other assets increase as the School operates efficiently on the amount of revenue coming in and finishing with a positive net change on a cash basis. The capital assets decreased because the School District increased the capitalization threshold to \$5,000.

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The School District has been maintaining larger cash reserves in the General fund and this year transferred over \$8 million to the permanent improvement fund as their share of the facility improvement costs. The main facility is over thirty-five years old and will require support from the General fund revenues to repay the note obligations. The School District was rated during 2009 as part of the long term financing plan. The School District is required to use General Fund cash reserves to cover the maintenance costs on the new facility and for any future capital improvements. Graph 1 breaks down the School District's governmental activities revenues into percentages by type of revenue.

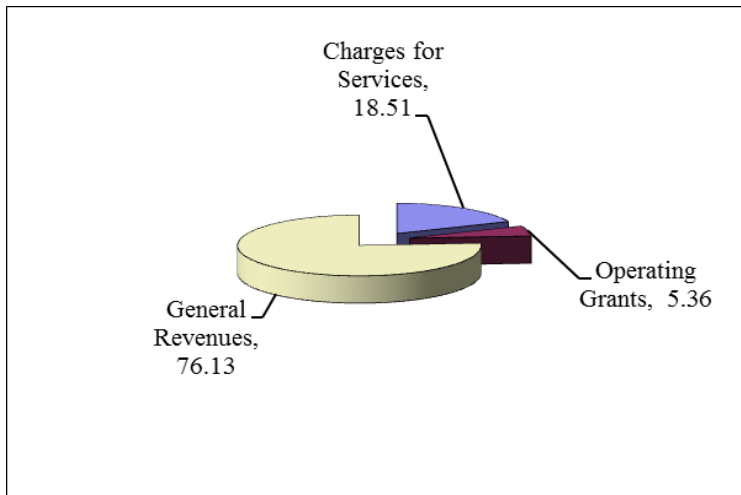


Table 2 details the actual amounts (in thousands) for the School District as a whole from 2011 to 2012.

	Governmental Activities		Business-Type Activities	
	2011	2012	2011	2012
Program Revenues				
Charges for Services	\$2,935	\$3,408	\$153	\$138
Operating Grants And Contributions	1,349	988	0	0
Total Program Revenues	4,284	4,396	153	138
General Revenues				
Property Taxes	8,238	7,461	0	0
Payment in Lieu of Taxes	84	185	0	0
Unrestricted Grants and Contributions	6,393	6,031	0	0
Investment Earnings	104	176	0	0
Miscellaneous	72	167	0	0
Total General Revenues	14,891	14,020	0	0
All Revenues	\$18,581	\$18,416	\$207	\$138

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 3 compares total program expenses from fiscal year 2011 to 2012.

*Table 3
(in thousands)*

	Governmental Activities		Business-Type Activities	
	2011	2012	2011	2012
Program Expenses				
<i>Instruction:</i>				
Regular	\$2	\$4	\$0	\$0
Special	159	173	0	0
Vocational	8,926	7,888	0	0
Adult/Continuing	330	1,727	0	0
<i>Support Services:</i>				
Pupils	1,111	1,017	0	0
Instructional Staff	598	522	0	0
Board of Education	18	23	0	0
Administration	1,430	1,606	0	0
Fiscal	502	543	0	0
Business	95	30	0	0
Operation and Maintenance	2,256	1,100	0	0
Pupil Transportation	133	134	0	0
Central	2,023	1,998	0	0
Operation on Non-Instructional Services	20	14	0	0
Food Service	349	362	0	0
Extracurricular Activities	88	87	0	0
Rotary	0	0	161	131
Interest and Fiscal Charges	276	273	0	0
Total Expenses	18,316	17,502	161	131
Change in Net Assets	859	914	(8)	7
Beginning Net Assets	17,400	18,011	212	209
Restatement	(248)	0	(3)	0
Ending Net Assets	\$18,011	\$18,925	\$209	\$216

**WARREN COUNTY VOCATION SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The School District saw a decrease in property taxes revenue resulted from the full accrual recognition of delinquent taxes and advances available to the School District at year end between fiscal years as required by general accepted accounting principles. On a cash basis, the School District actually saw a slight increase in property tax revenue. The School District saw the unrestricted grants and contributions decrease as the funding from the State through various sources has been reduced due to State budget issues. The charges for services revenue increased as tuition and fees increased over 2011 due to increased full time enrollment although part-time enrolled classes were down. The revenue earned on full time enrollment is significantly more than part-time enrollment. The School District saw operating grants and contributions decrease resulting from ARRA funding in fiscal year 2011.

The School District did see expenses decrease by \$729,000. The operation and maintenance line item dropped by over \$1.07 million. This amount can be tied directly to the energy efficiency improvements that were made by the School District during fiscal year 2011. These improvements did not increase the useful life of the buildings; therefore, are considered operating costs and not capital assets of the School District.

The Major Funds

The School District's major funds start on page 15 for governmental funds. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the School District. The major funds account for 94.62% of the \$18.55 million in total revenue and 93.98% percent of the \$17.18 million in total expenditures. The general fund received the majority of their revenues from property taxes and intergovernmental revenues. Revenues were greater than expenditures in the general fund although the School District transferred \$8.2 million for permanent improvement purposes resulting in a year end fund balance of \$6.15 million. The adult education fund received a majority of its revenues from charges for services or fees and produced a surplus compared to a deficit in the prior year. The permanent improvement fund qualifies as a major fund (starting in 2009) with over \$8.16 million in assets.

The general fund recognized \$0.94 million in current liabilities (less deferred revenue) for fiscal year 2012. Accrued salaries and benefits accounted for 75.79% of those liabilities. The general fund maintained a cash balance of \$6.39 million, which accounted for 40.20% of total School District governmental funds cash balance.

One of the School District's express purposes is to service the adult community through various programs. The School District served over 9,747 total part time and full time adults in 2012 (compared to 13,400 adults in 2011). With \$3.02 million in expenditures, the adult education fund is second behind only the general fund in expenditures that the School District incurs on an annual basis. The School District saw the adult education fund balance increase slightly to \$0.86 million for the fiscal year.

**WARREN COUNTY VOCATION SCHOOL DISTRICT
WARREN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

General Fund Budgetary

Graph 3 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2012.

*Graph 3
Original Budget versus Final Budget for General Fund*

	Budget	
	Original	Final
<u>Revenues:</u>		
Property Taxes	\$7,651,038	\$7,904,116
Intergovernmental	5,992,180	6,031,361
Other	610,007	936,814
Total Revenues	14,253,225	14,872,291
<u>Expenditures:</u>		
Current:		
Instruction	7,435,835	7,086,529
Support Services	6,595,154	4,901,468
Other	730,368	371,521
Total Expenditures	14,107,057	12,359,218

The School District saw slight increases across most the individual revenue line items. The payment in lieu of taxes increased as the School District received from two Townships for the first time in fiscal year 2012. Tuition and fees increased due to increased full time enrollment. The overall change from original to final budget was only 4.3 percent.

Final budgeted expenditures were lower by just over twelve percent from the original budgeted expenditures. The most significant decrease was in capital outlay for the expected costs associated with the energy efficiency program the School District implemented during 2011 and anticipated some costs rolling over to fiscal year 2012. The various support services all decreased as the School District evaluated what services were necessary.

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WARREN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Final Budget versus Actual Results

The School District prepared the final budget towards the end of June 2012 when actual results were known. There is a slight difference in the final revenue amounts of \$24,254, which is for interest the School District received at the end of June. For actual expenditures to final budgeted amounts, the School District completed the final budget during the last week of June when the final expenditures amounts were known.

Capital Assets

During 2012, the School District saw a decrease of \$0.90 million invested in land, buildings, equipment, and vehicles (net capital assets). The School District realized \$0.25 million of the decrease in net capital assets due to the capitalization threshold change. A schedule showing accumulated depreciation and the breakdown of current year depreciation can be found in note 8 of the financial statements. Table 4 shows the breakdown of the individual classes for capital assets (not including accumulated depreciation).

*Table 4
Capital Assets, net of depreciation*

	Governmental		Business-Type		Total		Percentage Change
	Activities		Activities				
	Restated 2011	2012	Restated 2011	2012	Restated 2011	2012	
Land	\$456,000	\$456,000	\$0	\$0	\$456,000	\$456,000	0.00%
Land Improvements	283,520	338,954	0	0	283,520	338,954	19.55%
Buildings and Improvements	16,071,012	16,081,104	8,530	8,530	16,079,542	16,089,634	0.06%
Furniture and Equipment	3,455,322	3,353,318	22,262	22,262	3,477,584	3,375,580	(2.93%)
Vehicles	653,787	653,787	0	0	653,787	653,787	0.00%
Accumulated Depreciation	(9,838,929)	(10,703,148)	(21,344)	(24,264)	(9,860,273)	(10,727,412)	8.79%
Total	<u>\$11,080,712</u>	<u>\$10,180,015</u>	<u>\$9,448</u>	<u>\$6,528</u>	<u>\$11,090,160</u>	<u>\$10,186,543</u>	<u>(8.15%)</u>

The School District saw a significant decrease in capital assets as deletions exceeded additions and the current year's depreciation expense reduced the amount further.

Debt Administration

The School District repaid \$0.39 million on the certificates of participation. The School District saw a net increase on the capital lease obligation of \$5,267 with the additional lease on copiers for 2012. The School District also paid \$0.07 million in energy conservation notes during the year. For further information on the School District's obligations refer to notes 13 and 14 of the financial statements.

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Other items impacting the financial strength of the School District

Calendar year 2006 was the last reappraisal year for the School District. The triennial update was in calendar year 2009. The next reappraisal is taking place currently. The current change in value for 2009 was approximately a ten percent decrease. Per communication with the Warren County Auditor we are projected to see another five percent average decrease in property value. With the loss of valuation in 2009, the School District came off the 2 mill floor in residential/agricultural valuation. The continued decrease in property value will cause the millage to increase. After communication with the County Auditor, it is believed that it would take at least 9-12 years to reach the values that we saw before 2009. We continue to see a slight increase in new construction around one percent and are only projecting a one-fourth percent increase in overall values in the next triennial update in 2015.

The commercial property values have included Atrium Medical Center to this point; it is our understanding that this exemption has been settled and that the Medical Center itself has been exempted, however there are portions of the leased space that are not exempted. We have not received formal notice or have any calculation at this time as to the amount owed the School District from the leased property and the amount that would be returned for the partial taxes paid by Atrium. The repayment estimated has been reported in a budget reserve line. These are still estimates at this point until we have final information.

State funding was based on a FTE until fiscal year 2010, however for fiscal year 2010 and fiscal year 2011, the School District is guaranteed the same amount from fiscal year 2009 plus .075. In fiscal year 2012 and fiscal year 2013, we are guaranteed the same amount received in fiscal year 2011. State funding has increased in prior years as a result of the increase in FTE's and this is due to an increase in students on our main campus, satellite programs and open enrollment. In fiscal year 2009, however we did see a slight decrease in our enrollment which caused School District to go onto the Transitional Aid guarantee. There is no way of knowing exactly what will happen to Career Tech funding for the future so we forecast that state funding is flat lined through 2017.

Request for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, Warren County VSD, 3529 N. SR 48, Lebanon, Ohio 45036.

Treasurer
Warren County
Vocational School District

Warren County Vocational School District
Warren County, Ohio
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 15,905,718	\$ 215,614	\$ 16,121,332
Receivables:			
Property and Other Taxes	9,157,799	0	9,157,799
Accounts	11,090	1,707	12,797
Accrued Interest	15,790	0	15,790
Intergovernmental	201,589	0	201,589
Materials and Supplies Inventory	95,863	0	95,863
Internal Balances	4,718	(4,718)	0
Issuance Costs	92,318	0	92,318
Nondepreciable Capital Assets	456,000	0	456,000
Depreciable Capital Assets	9,724,015	6,528	9,730,543
Total Assets	35,664,900	219,131	35,884,031
Liabilities			
Payables:			
Accounts	206,375	475	206,850
Intergovernmental	206,418	2,188	208,606
Interest	21,181	0	21,181
Salaries and Employee Benefits	765,670	0	765,670
Deferred Revenue	8,412,250	0	8,412,250
Noncurrent Liabilities:			
Due within one year	690,051	0	690,051
Due in more than one year	6,437,513	0	6,437,513
Total Liabilities	16,739,458	2,663	16,742,121
Net Assets			
Invested in capital assets, net of related debt	3,386,406	6,528	3,392,934
Restricted for:			
Grants	6,564	0	6,564
Capital Improvements	8,379,431	0	8,379,431
Unrestricted	7,153,041	209,940	7,362,981
Total Net Assets	\$ 18,925,442	\$ 216,468	\$ 19,141,910

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 3,900	\$0	\$0	(\$3,900)	\$0	(\$3,900)
Special	172,784	0	8,631	(164,153)	0	(164,153)
Vocational	7,887,963	1,857,044	336,207	(5,694,712)	0	(5,694,712)
Adult/Continuing	1,727,347	123,029	0	(1,604,318)	0	(1,604,318)
Support Services:						
Pupils	1,017,228	0	194,269	(822,959)	0	(822,959)
Instructional Staff	521,664	0	154,424	(367,240)	0	(367,240)
Board of Education	22,965	0	0	(22,965)	0	(22,965)
Administration	1,606,300	387,513	46,055	(1,172,732)	0	(1,172,732)
Fiscal	543,316	0	0	(543,316)	0	(543,316)
Business	29,421	0	0	(29,421)	0	(29,421)
Operation and Maintenance of Plant	1,100,566	26,973	0	(1,073,593)	0	(1,073,593)
Pupil Transportation	134,211	0	0	(134,211)	0	(134,211)
Central	1,998,461	820,759	125,051	(1,052,651)	0	(1,052,651)
Operation of Non-Instructional Services	14,044	0	0	(14,044)	0	(14,044)
Food Service	362,357	192,917	123,219	(46,221)	0	(46,221)
Extracurricular Activities	86,509	0	0	(86,509)	0	(86,509)
Interest and Fiscal Charges	273,651	0	0	(273,651)	0	(273,651)
Total Governmental Activities	<u>17,502,687</u>	<u>3,408,235</u>	<u>987,856</u>	<u>(13,106,596)</u>	<u>0</u>	<u>(13,106,596)</u>
Business-Type Activities:						
Customer Service	131,421	138,379	0	0	6,958	6,958
Total Business-Type Activities	<u>131,421</u>	<u>138,379</u>	<u>0</u>	<u>0</u>	<u>6,958</u>	<u>6,958</u>
Total Primary Government	<u>\$ 17,634,108</u>	<u>\$ 3,546,614</u>	<u>\$ 987,856</u>	<u>(13,106,596)</u>	<u>6,958</u>	<u>(13,099,638)</u>
General Revenues:						
Property Taxes				7,461,841	0	7,461,841
Payment in Lieu of Taxes				184,980	0	184,980
Grants and Contributions not restricted to specific programs				6,031,361	0	6,031,361
Unrestricted investment earnings				175,865	0	175,865
Miscellaneous				166,600	0	166,600
Total General Revenues				<u>14,020,647</u>	<u>0</u>	<u>14,020,647</u>
Changes in Net Assets				914,051	6,958	921,009
Net Assets-Beginning (Restated)				18,011,391	209,510	18,220,901
Net Assets-Ending				<u>\$ 18,925,442</u>	<u>\$ 216,468</u>	<u>\$ 19,141,910</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Balance Sheet - Governmental Funds
June 30, 2012

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 6,394,613	\$ 1,065,782	\$ 8,146,818	\$ 298,505	\$ 15,905,718
Receivables:					
Property and Other Taxes	9,157,799	0	0	0	9,157,799
Accounts	11,090	0	0	0	11,090
Interfund	124,842	0	13,158	0	138,000
Accrued Interest	15,790	0	0	0	15,790
Intergovernmental	117,758	0	0	83,831	201,589
Materials and Supplies Inventory	90,234	0	0	5,629	95,863
Total Assets	15,912,126	1,065,782	8,159,976	387,965	25,525,849
Liabilities and Fund Balances					
Liabilities					
Payables:					
Accounts	67,234	59,153	69,456	10,532	206,375
Due to Local Governments	160,375	34,657	0	11,386	206,418
Salaries and Employee Benefits	712,579	53,091	0	0	765,670
Interfund	0	56,146	0	77,136	133,282
Deferred Revenue	8,823,258	0	0	0	8,823,258
Total Liabilities	9,763,446	203,047	69,456	99,054	10,135,003
Fund Balances					
Nonspendable	90,234	0	0	5,629	95,863
Restricted	0	0	0	283,371	283,371
Assigned	206,571	862,735	8,090,520	8,802	9,168,628
Unassigned	5,851,875	0	0	(8,891)	5,842,984
Total Fund Balances	6,148,680	862,735	8,090,520	288,911	15,390,846
Total Liabilities and Fund Balances	\$ 15,912,126	\$ 1,065,782	\$ 8,159,976	\$ 387,965	

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

Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	10,180,015
Other long term assets are not available to pay for current period expenditures and; therefore, are deferred in the funds.	503,326
Long-term liabilities are not due and payable in the current period and; therefore, are not reported in the funds.	<u>(7,148,745)</u>
	<u>\$ 18,925,442</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Adult Education	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$7,653,563	\$0	\$0	\$0	\$7,653,563
Intergovernmental	6,031,361	307,034	0	803,849	7,142,244
Charges for Services	0	0	0	176,293	176,293
Tuition and Fees	497,662	2,564,872	0	0	3,062,534
Interest	175,594	0	271	0	175,865
Gifts and Donations	6,427	0	0	650	7,077
Payment in Lieu of Taxes	129,520	0	0	0	129,520
Rent	26,973	2,782	0	0	29,755
Miscellaneous	155,646	0	0	16,624	172,270
Total Revenues	14,676,746	2,874,688	271	997,416	18,549,121
Expenditures:					
Current:					
Instruction:					
Regular	0	2,220	0	1,680	3,900
Special	163,784	0	0	9,000	172,784
Vocational	6,731,190	0	11,750	141,940	6,884,880
Adult Education	0	1,546,294	0	115,083	1,661,377
Support Services:					
Pupils	821,850	57,169	0	147,103	1,026,122
Instructional Staff	292,302	24,751	0	161,797	478,850
Board of Education	22,965	0	0	0	22,965
Administration	1,099,727	446,361	0	0	1,546,088
Fiscal	522,448	0	0	5,016	527,464
Business	206	19,656	0	0	19,862
Operation and Maintenance of Plant	1,144,280	27,665	0	0	1,171,945
Pupil Transportation	100,669	0	0	0	100,669
Central	704,828	873,897	17,745	75,353	1,671,823
Operation of Non-Instructional Services	8,424	1,608	0	362,360	372,392
Extracurricular Activities	86,509	0	0	0	86,509
Capital Outlay	243,809	0	392,859	0	636,668
Debt Service:					
Principal Retirement	110,048	15,463	390,000	15,462	530,973
Interest and Fiscal Charges	46,152	201	220,165	201	266,719
Total Expenditures	12,099,191	3,015,285	1,032,519	1,034,995	17,181,990
Excess (deficiency) of Revenues Over (Under) Expenditures	2,577,555	(140,597)	(1,032,248)	(37,579)	1,367,131
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	2,309	0	0	0	2,309
Inception of Capital Leases	75,240	0	0	0	75,240
Transfers - In	0	178,000	8,157,635	61,031	8,396,666
Transfers - Out	(8,396,666)	0	0	0	(8,396,666)
Total Other Financing Sources (Uses)	(8,319,117)	178,000	8,157,635	61,031	77,549
Net Change in Fund Balances	(5,741,562)	37,403	7,125,387	23,452	1,444,680
Fund Balances - beginning	11,890,242	825,332	965,133	265,459	
Fund Balances - ending	<u>\$ 6,148,680</u>	<u>\$ 862,735</u>	<u>\$ 8,090,520</u>	<u>\$ 288,911</u>	

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and net disposals exceeded capital outlays in the current period. (900,697)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (137,097)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 451,584

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. 55,581

Change in net assets of governmental activities \$ 914,051

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2012

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$7,651,038	\$7,904,116	\$7,904,116	\$0
Intergovernmental	5,992,180	6,031,361	6,031,361	0
Tuition and Fees	366,694	498,289	498,289	0
Interest	140,000	147,139	171,393	24,254
Rent	8,763	26,973	26,973	0
Gifts and Donations	14,000	6,427	6,427	0
Payment in Lieu of Taxes	60,000	129,721	129,721	0
Miscellaneous	20,550	128,265	128,265	0
Total Revenues	14,253,225	14,872,291	14,896,545	24,254
Expenditures:				
Current:				
Instruction:				
Special	164,692	162,628	162,628	0
Vocational	7,271,143	6,923,901	6,923,901	0
Support Services:				
Pupils	1,268,287	829,280	829,280	0
Instructional Staff	389,806	301,971	301,971	0
Board of Education	25,075	14,735	14,735	0
Administration	1,230,760	1,128,534	1,128,492	42
Fiscal	529,979	527,050	527,050	0
Business	67,834	206	206	0
Operation and Maintenance of Plant	1,445,982	1,189,294	1,189,294	0
Pupil Transportation	128,961	97,945	97,945	0
Central	854,170	801,617	801,617	0
Operation of Non-				
Instructional Services	23,067	10,536	10,536	0
Extracurricular Activities	88,821	91,368	91,368	0
Capital Outlay	547,480	168,569	168,569	0
Debt Service:				
Principal Retirement	71,000	71,000	71,000	0
Interest and Fiscal Charges	0	40,584	40,584	0
Total Expenditures	14,107,057	12,359,218	12,359,176	42
Excess of Revenues				
Over Expenditures	146,168	2,513,073	2,537,369	24,296
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	5,000	2,309	2,309	0
Refund of Prior Year Expenditures	3,100	8,439	8,419	(20)
Advances In	360,000	549,446	549,446	0
Advances Out	(300,000)	(600,526)	(600,526)	0
Transfers Out	(1,084,000)	(8,397,666)	(8,397,666)	0
Total Other Financing Sources (Uses)	(1,015,900)	(8,437,998)	(8,438,018)	(20)
Net Change in Fund Balance	(869,732)	(5,924,925)	(5,900,649)	24,276
Fund Balances at Beginning of Year	11,476,301	11,476,301	11,476,301	0
Prior Year Encumbrances Appropriated	562,427	562,427	562,427	0
Fund Balances at End of Year	\$11,168,996	\$6,113,803	\$6,138,079	\$24,276

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
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, 2012

	Adult Education			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$387,775	\$323,390	\$323,390	\$0
Tuition and Fees	3,205,580	2,561,294	2,564,872	3,578
Rent	0	2,782	2,782	0
Total Revenues	3,593,355	2,887,466	2,891,044	3,578
Expenditures:				
Current:				
Instruction:				
Regular	3,000	2,214	2,214	0
Adult/Continuing	1,487,583	1,547,028	1,547,028	0
Support Services:				
Pupils	140,421	75,566	75,566	0
Instructional Staff	70,509	19,920	19,920	0
Administration	471,134	461,541	461,541	0
Business	20,762	19,395	19,395	0
Operation and Maintenance of Plant	25,138	26,612	26,612	0
Central	1,455,761	919,193	919,193	0
Operation of Non-Instructional Services	10,200	1,869	1,877	(8)
Total Expenditures	3,684,508	3,073,338	3,073,346	(8)
Excess of Revenues Over (Under) Expenditures	(91,153)	(185,872)	(182,302)	3,570
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	0	0	(3,866)	(3,866)
Advances In	37,000	298,700	298,700	0
Advances Out	0	(316,100)	(316,100)	0
Transfers In	441,513	376,000	376,000	0
Transfers Out	(198,000)	(198,000)	(198,000)	0
Total Other Financing Sources (Uses)	280,513	160,600	156,734	(3,866)
Net Change in Fund Balance	189,360	(25,272)	(25,568)	(296)
Fund Balances at Beginning of Year	902,362	902,362	902,362	0
Prior Year Encumbrances Appropriated	102,151	102,151	102,151	0
Fund Balances at End of Year	\$1,193,873	\$979,241	\$978,945	(\$296)

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Customer Service Fund</u>
<u>Assets</u>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 215,614
Receivables:	
Accounts	<u>1,707</u>
Total Current Assets	<u>217,321</u>
<i>Noncurrent Assets</i>	
Capital Assets (net of accumulated depreciation)	<u>6,528</u>
Total Assets	<u><u>223,849</u></u>
<u>Liabilities</u>	
<i>Current Liabilities</i>	
Payables:	
Accounts	475
Intergovernmental	2,188
Interfund	<u>4,718</u>
Total Current Liabilities	<u>7,381</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	6,528
Unrestricted	<u>209,940</u>
Total Net Assets	<u><u>\$ 216,468</u></u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Customer Service Fund
<u>Operating Revenues:</u>	
Charges for Services	\$ 138,379
Total Operating Revenues	138,379
<u>Operating Expenses:</u>	
Salaries	14,029
Fringe Benefits	19,063
Purchased Services	4,268
Materials and Supplies	91,141
Depreciation	2,920
Total Operating Expenses	131,421
Change in Net Assets	6,958
Net Assets - Beginning of Year (Restated)	209,510
Net Assets - End of Year	\$216,468

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Customer Service Fund</u>
<u>Increase in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$145,361
Cash Payments to Suppliers for Goods and Services	(97,291)
Cash Payments to Employees for Services	<u>(36,272)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>11,798</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Proceeds from Short Term Loan	<u>2,300</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>2,300</u>
Net Increase in Cash and Cash Equivalents	14,098
Cash and Cash Equivalents at Beginning of Year	<u>201,516</u>
Cash and Cash Equivalents at End of Year	<u><u>215,614</u></u>
<u>Reconciliation of Operating Income to Net</u>	
<u>Cash Provided by Operating Activities:</u>	
Operating Income	6,958
<u>Adjustments to Reconcile Operating Income</u>	
<u>to Net Cash Provided by Operating Activities:</u>	
Depreciation	2,920
<u>Changes in Assets and Liabilities:</u>	
Decrease in Accounts Receivable	6,982
Decrease in Accounts Payable	(1,913)
Decrease in Accrued Wages	(4,563)
Increase in Intergovernmental Payable	<u>1,414</u>
Total Adjustments	<u>4,840</u>
Net Cash Provided by Operating Activities	<u><u>\$11,798</u></u>
See accompanying notes to the basic financial statements	

Warren County Vocational School District
Warren County, Ohio
Statement of Fiduciary Assets and Liabilities -
Fiduciary Funds
June 30, 2012

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 52,081</u>
<u>Liabilities</u>	
Accounts Payable	29
Due to Students	<u>52,052</u>
Total Liabilities	<u>\$52,081</u>

See accompanying notes to the basic financial statements

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Warren County Vocational School District (the School District) is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board of Education. The Board of Education is not directly elected. The Board of Education is comprised of members of other elected boards who, by charter, also serve as board members of the Warren County Vocational School District. None of the school districts that appoint Board members are financially accountable for the School District nor do any appoint a voting majority of the Board.

The School District employs 76 certified, 41 classified, 11 administrative, 14 full time Adult Education along with 112 Adjunct Adult Education instructors who serve approximately 35 preschool students, 1,972 secondary students and 9,747 adult students. A vocational school exposes high school and adult students to academic preparation and job training which leads to employment and/or further education upon graduation from high school.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, adult education, preschool and student related activities of the School District.

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

The School District is associated with three organizations, two jointly governed organizations and one insurance purchasing pool. These organizations are the Southwest Ohio Computer Association, the Jewell Education Foundation, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are discussed in Notes 16 and 17.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 School District's accounting policies are described below.

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Property taxes, grants and entitlements, payment in lieu of taxes, tuition, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

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. The District employs the use of three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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 District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *adult education fund* accounts for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from residents and students and reimbursements from the State Department of Education.

The *permanent improvement fund* is used to account for all transactions related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code. The District has chosen to report as a major fund.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following major proprietary fund:

The *customer service fund* accounts for transactions made in connection with goods and services provided by the School District. As an example, this fund is used to account for receipts and purchases made in connection, but not limited to, culinary training, landscape services and cosmetology.

Additionally, the District reports the following fund types:

Fiduciary Agency Funds reporting focuses on net assets and changes in net assets. The District maintains two fiduciary funds, agency funds known as the Pell Grant and Student Activities Funds. The Pell Grant fund accounts for grant proceeds and disbursement to various students within the District. The Student Activities fund was established to account for revenues generated by student managed activities. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (although no such grants or contributions were received for the year ending June 30, 2012). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the customer service are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Warren County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts by formal resolution the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued during fiscal year 2012.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The School District has chosen to present the budgetary statements in the basic financial statements at the fund and function level even though the legal level of control is at the fund level.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The final budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a portion of the assigned fund balance for subsequent-year expenditures for general fund and included within the other governmental funds' respective fund balance classification.

Lapsing of Appropriations:

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as equity in pooled cash and investments on the statement of net assets and fund balance sheets.

During the current fiscal year and at year-end, investments were limited to governmental sponsored enterprise securities.

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 current fiscal year amounted to \$175,594 with \$10,377 assigned from other funds. The permanent improvement capital projects fund also received interest of \$271.

For purpose of the statement of cash flows and for the presentation on the statement of net assets and fund balance sheets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory (Materials and Supplies)

Inventories are valued at lower of cost (first-in, first-out method) or market and are determined by physical count. Inventories consist of donated food, purchased food and school supplied held for resale and are expensed when used. The balance is reported as a nonspendable fund balance on the governmental balance sheet.

F. Capital Assets

Capital assets, which include property, plant, equipment, and vehicles, are reported on the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.) which could be required to be capitalized. The School District has no infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles and Equipment	5-15

G. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from transaction-like activities between a government's various funds are classified as interfund receivables/payables. These transactions are eliminated in the statement of net assets and the balances are eliminated in the governmental activities column of the statement of net assets.

H. 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 School 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 School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after twenty years of current service with the School District.

Expenditures or liabilities related to compensated absences are reported in governmental funds only if they are due for payment as matured leave payable. The entire liability is reported on the government-wide statement of net assets.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Capital leases and long term notes payable are reported as a liability on the statement of net assets. .

J. Interfund Activity

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

K. Fund Balance

The School District implemented GASB No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” during the 2011 fiscal year. The School District reports the following categories:

- Nonspendable fund balance relates to the value of consumable inventories.
- Restricted fund balances related to money received from local, state or federal grants.
- Committed fund balances are balances the School District Board has formally allocated.
- Assigned fund balances are balances the School District administration have specified the future use.
- Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

L. Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

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

N. Exchange/Non-Exchange Transactions

Revenues 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.

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Estimates

The preparation of the 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 statements.

P. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of this (\$7,148,745) difference are as follows:

Capital Lease Payable	(\$115,975)
Energy Conservation Notes	(810,000)
Certificate of Participation Notes	(5,815,000)
Certificate of Participation Notes Premium	(44,606)
Accrued Interest Payable	(21,181)
Compensated Absences	(341,983)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>(\$7,148,745)</u>

Another element of that reconciliation explains that capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The details of \$10,180,015 difference are as follows:

Capital Assets	\$20,883,163
Accumulated Depreciation	(10,703,148)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$10,180,015</u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states that repayment of long-term obligations is reported as an expenditure in government funds, the repayment reduces long-term liabilities in the statement of net assets. The details of this \$55,581 are as follows:

Change in Benefit Balances	\$54,485
Change in interest due on long term notes	<u>1,096</u>
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$55,581</u></u>

An element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$447,705 are as follows:

Value of new capital leases	(\$75,240)
Principal paid on the capital lease obligation	69,973
Current year amortization of premium on notes	(8,028)
Principal paid on the long term notes	<u>461,000</u>
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$447,705</u></u>

Another element of that reconciliation states that Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The details of this (\$900,697) are as follows:

Current Capital Additions	\$160,011
Depreciation Expense	<u>(1,060,708)</u>
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>(\$900,697)</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

Budgetary Basis of Accounting:

While the School 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - General Fund and Major Special Revenue Funds 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 that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
- D. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for major funds with required budgetary supplemental information. Only the general and major special revenue funds are reported for comparison.

Net Change in Fund Balance		
Major Funds		
	General Fund	Adult Education Fund
	<u> </u>	<u> </u>
GAAP Basis	(\$5,741,562)	\$37,403
Adjustments:		
Revenue Accrual	228,218	16,356
Expenditure Accrual	(112,841)	24,933
Transfers	(1,000)	0
Advances	(51,080)	(17,400)
Encumbrances	<u>(222,384)</u>	<u>(86,860)</u>
Budget Basis	<u><u>(\$5,900,649)</u></u>	<u><u>(\$25,568)</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - ACCOUNTABILITY

At June 30, 2012 the following fund had deficit fund balances:

<u>Nonmajor Funds:</u>	<u>Amount</u>
State Preschool Grant Fund	\$130
Early Entry Fund	745
ABLE Fund	1,320
Vocational Education Fund	5,996

The deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit by providing operating transfers when cash is required, not when accruals occur.

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,456,635 of the School District's bank balance of \$7,206,635 (includes a transfer in deposit) was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (continued)

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2012, the School District had the following investments.

	Carrying and Fair Value	Average Maturity (in years)
Federal Home Loan Bank Note	\$941,102	0.98
Federal National Mortgage Association Note	1,227,501	2.50
Federal Home Mortgage Corporation Note	2,148,776	2.07
Certificates of Deposit	1,054,883	2.37
Money Market Mutual Fund	27,389	0.16
Total Investments	<u>\$5,399,651</u>	

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District limits their investments to securities in U.S governmental agency notes. Below are the credit ratings of the School District's investments:

Security	Rating Agency	
	Moody's	Standard & Poor's
Federal Home Loan Bank Note	Aaa	AAA
Federal National Mortgage Association Note	Aaa	AAA
Federal Home Mortgage Corporation Note	Aaa	AAA

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The governmental agency notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issuer. The School District's investment in Federal Home Loan Bank Notes represents 17.43% of the total investments, Federal National Mortgage Association Notes represents 22.73% of the total investments, the Federal Home Mortgage Corporation Notes represents 39.79% of the total investments, the Certificates of Deposits represents 19.54% of the total investments and the remaining 0.51% is invested in the money market mutual fund and U.S Treasury bills.

NOTE 6- PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2012 were based, is as follows:

	2011 First- Half Collections		2012 Second- Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$3,629,630,020	95.96%	\$3,641,293,200	95.32%
Tangible Personal Property	152,862,964	4.04	178,636,630	4.68
Total Assessed Value	<u>\$3,782,499,494</u>	<u>100.00%</u>	<u>\$3,819,929,830</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.50		\$4.50	

Property taxes are levied and assessed on a calendar year basis. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. All property is required to be revalued every six years.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6- PROPERTY TAXES (continued)

2012 tangible personal property taxes are levied after April 1, 2011, on the value as of December 31, 2011. Collections are made in 2012. Tangible personal property assessments are six and one-quarter percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by February 27. If paid semi-annually, the first payment (at least one-half of amount billed) was due February 27, with the remainder due on July 24.

The County Auditor remits portions of the taxes collected with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property taxes in June and October to all taxing districts.

The District received property taxes from the County Auditor. 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, 2012 are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, accounts (tuition and student fees), interfund, intergovernmental (grants and rentals), charges for services, and interest. 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 year guarantee of federal funds. A summary of intergovernmental receivables follows:

Fund	Amount
General Fund:	
Compensation Agreements	
Deerfield Township	\$44,542
City of Springboro	14,970
City of Franklin	311
Hamilton Township	33,356
Miami University Middletown	24,579
Nonmajor Governmental Fund:	
Food Services	12,490
Public Preschool State Grant	280
Career Education State Grant	174
ABLE Grant Fund	18,073
Education Jobs Fund	1,400
Title VI-B Grant Fund	11,755
Carl Perkins Grant Fund	35,214
Title IIA Grant Fund	3,878
Miscellaneous Federal Grants Fund	567

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Restated Balance 07/01/2011	Increases	Decreases	Balance 06/30/2012
Governmental Activities				
Capital Assets, not depreciated				
Land	\$456,000	\$0	\$0	\$456,000
Capital Assets, being depreciated				
Land Improvements	283,520	55,434	0	338,954
Buildings and Improvements	16,071,012	10,092	0	16,081,104
Furniture and Equipment	3,455,322	94,485	(196,489)	3,353,318
Vehicles	653,787	0	0	653,787
Total at Historical Cost	<u>20,919,641</u>	<u>160,011</u>	<u>(196,489)</u>	<u>20,883,163</u>
Less Accumulated Depreciation	<u>(9,838,929)</u>	<u>(1,060,708)</u>	<u>196,489</u>	<u>(10,703,148)</u>
Governmental Activities Capital Assets, Net	<u>11,080,712</u>	<u>(900,697)</u>	<u>0</u>	<u>10,180,015</u>
Business-Type Activities				
Capital Assets, being depreciated				
Buildings and Improvements	8,530	0	0	8,530
Furniture and Equipment	22,262	0	0	22,262
Less Accumulated Depreciation	<u>(21,344)</u>	<u>(2,920)</u>	<u>0</u>	<u>(24,264)</u>
Business-Type Activities Capital Assets, Net	<u>\$9,448</u>	<u>(\$2,920)</u>	<u>\$0</u>	<u>\$6,528</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Instruction:	
Vocational	\$678,451
Adult Education	1,143
Support Services:	
Pupils and Instructional Staff	27,081
Administration	17,655
Fiscal and Business	10,342
Operation and Maintenance of Plant	30,382
Pupil Transportation	33,880
Central	257,766
Non-operational Instruction	4,008
Total Depreciation Expense	<u>\$1,060,708</u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2012, the School District contracted with Argonaut Insurance Company for general liability insurance with a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate and property and building replacement of \$37,737,837 (which includes the Greentree Health Science Academy) carrying a \$1,000 deductible and 90% coinsurance. Vehicles are also covered under a business policy with Argonaut Insurance Company which carries a \$500 deductible for buses and \$250/\$500 comprehensive/collision on other vehicles and a \$1,000,000 limit on liability with \$5,000 for medical and \$1,000,000 for uninsured motorists.

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

For fiscal year 2012, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." The "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 Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

The School District provided an option for medical/surgical benefits (PPO administered by Anthem for health care coverage) and prescription coverage through CVS Caremark. The School District paid the following amounts:

The School District paid \$1,011.45 for a family plan, \$727.86 for an employee and kids plan, or \$393.47 for single coverage for medical and prescription insurance through Anthem – Blue Access. The School District paid \$5.40 to Ft. Dearborn Life Insurance Company. The School District paid \$14.36 for family coverage and \$6.16 for single coverage per month to EPC Vision Benefit Plan, which presents eighty-five percent of the premium required.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 9 - RISK MANAGEMENT (continued)

Dental insurance was provided by Dental Care Plus and the District paid \$79.08 for family coverage and \$27.26 for single coverage for the in-network (HMO), which represents 85% of the total premium. For the Indemnity Coverage (out of network), the District paid \$88.57 for a family plan and \$30.53 for a single plan.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - The School 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 12.70 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$205,569, \$178,497, and \$197,709 respectively; 91 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a 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.

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, 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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$949,889, \$972,951, and \$889,007 respectively; 93 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$88,268 made by the School District and \$63,049 made by the plan members.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 2012, 0.55 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 2012, this amount was \$26,029.

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 School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$34,932, \$45,807, and \$39,305 respectively; 91 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.765 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2012, 2011, and 2010 were \$12,140, \$11,487, and \$11,757 respectively, 91 percent has been contributed for fiscal year 2012 with 100% for fiscal year 2011 and 2010.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System

Plan Description – The School 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$73,068, \$74,842, and \$68,385 respectively; 93 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified employees may earn up to ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days. Upon retirement, payment shall be made for accrued but unused sick days on the basis of 25 percent of member’s actual accumulated sick leave days to a maximum of 60 days.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

For 2012, the District entered into a capital lease for copiers and apple computers totaling \$75,240. In prior years, the District entered into capitalized leases for the acquisition of copiers for \$86,486. The terms of the one agreement provides an option to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2012 totaled \$69,973 and interest payments of \$5,970.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012:

Fiscal Year Ending June 30,	Governmental Activities
2013	\$44,874
2014	44,874
2015	20,254
2016	12,416
Total	122,418
Less: Amount Representing Interest	(6,443)
Present Value of Net Minimum Lease Payments	<u>\$115,975</u>

Fiscal Year Ending June 30,	Capital Leases Payable		
	Principal	Interest	Total
2013	\$41,049	\$3,825	\$44,874
2014	43,287	1,587	44,874
2015	19,384	870	20,254
2016	12,255	161	12,416
Totals	<u>\$115,975</u>	<u>\$6,443</u>	<u>\$122,418</u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - LONG-TERM LIABILITIES

The changes in the School District's long-term obligations (non-current liabilities) during the year consist of the following:

	Obligation Outstanding June 30, 2011	Additions	Deletions	Obligation Outstanding June 30, 2012	Amounts Due in One Year
Governmental Activities					
Certificates of Participation	\$6,205,000	\$0	\$390,000	\$5,815,000	\$400,000
Premium	48,485	0	3,879	44,606	0
Energy Conservation Notes	881,000	0	71,000	810,000	70,000
Compensated Absences	459,405	465,593	583,015	341,983	179,002
Capital Leases Payable	110,708	75,240	69,973	115,975	41,049
Total Governmental	<u>\$7,704,598</u>	<u>\$540,833</u>	<u>\$1,117,867</u>	<u>\$7,127,564</u>	<u>\$690,051</u>

Certificates of Participation Notes - On February 3, 2009, the School District issued \$7,000,000 in certificates of participation notes for the purpose of renovating the current building and related increased capacity. The notes were issued for a fifteen year period with a final maturity of December 1, 2023. The notes will be retired from the permanent improvement fund and pay interest at rates ranging from 2.00% to 4.35%.

Energy Conservation Notes – On September 8, 2010, the School District issued \$881,000 in energy conservation notes under the Qualified School Construction Bond program that will rebate one hundred percent of the interest costs from the Federal government. The notes were issue for a twelve year period with a final maturity of December 1, 2022. The notes will be retired from the general fund and used for updating various lighting and other electrical items throughout the school.

The School District's overall legal debt margin was \$342,983,685 with an energy conservation debt margin of \$33,498,368 and an unvoted debt margin of \$3,819,930 at June 30, 2012.

Compensated absences will be paid from the fund from which the person is paid which is typically the General Fund. Capital leases will be paid from the General fund.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - LONG-TERM LIABILITIES (continued)

Fiscal Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2013	\$400,000	\$209,790	\$609,790
2014	415,000	198,065	613,065
2015	425,000	185,465	610,465
2016	440,000	171,940	611,940
2017	450,000	156,915	606,915
2018-2022	2,530,000	509,457	3,039,457
2023-2024	1,155,000	50,503	1,205,503
Totals	\$5,815,000	\$1,482,135	\$7,297,135

Fiscal Year Ending June 30,	Energy Conservation Notes		
	Principal	Interest	Total
2013	\$70,000	\$37,200	\$107,200
2014	70,000	33,840	103,840
2015	70,000	30,480	100,480
2016	75,000	27,000	102,000
2017	75,000	23,400	98,400
2018-2022	375,000	63,000	438,000
2023	75,000	1,800	76,800
Totals	\$810,000	\$216,720	\$1,026,720

NOTE 15 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2012, consist of the following individual receivables and payables and operating transfers in the governmental and proprietary fund balance sheets (such amounts are removed from consolidated columns in the statement of net assets):

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$124,842	\$0	\$0	\$8,396,666
Adult Education	0	56,146	178,000	0
Permanent Improvement	13,158	0	8,157,635	0
Customer Service	0	4,718	0	0
Nonmajor Funds:				
Special Revenue	0	77,136	61,031	0
Total All Funds	\$138,000	\$138,000	\$8,396,666	\$8,396,666

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 15 - INTERFUND TRANSACTIONS (continued)

The interfund payables are expected to be repaid within one year. The School District is currently evaluating the user charges in adult education major fund to bring revenue generation in line with expenditures. The transfers are routine in nature with the majority of the money being transferred to the permanent improvement capital projects fund for the School District's share of the roof replacement cost and preparation for School District's contribution to new building program.

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and educational service centers within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The School District paid \$33,259 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

The School District is a participant in the Jewell Education Foundation, which is a jointly governed educational foundation established to benefit the school districts in Warren County. The Foundation was created to promote and assist in funding through soliciting grants and charitable contributions for distributions to member educational institutions of participating school districts. The governing board is made up of the Warren County Vocational School District superintendent, one member of the Warren County Vocational School District Board of Education, not on the current board, and one member submitted by each participating school district. The district made no financial contribution to the Foundation. Financial information can be obtained from the Director of Planned Giving, Rick Wood, at P. O. Box 854, Lebanon, Ohio 45036.

NOTE 17 - INSURANCE PURCHASING POOL

The School District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan. The School District paid \$950 during 2012 to participate in the pool.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 18 - STATUTORY RESERVES

As stated in H.B. 412, the School District is required to maintain through reserves; one for textbooks and one for capital acquisitions. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

	<u>Capital Acquisition</u>
Set-aside Carryover Balance as of June 30, 2011	\$0
Current Year Set-aside Requirement	158,255
Offsets	(8,157,635)
Qualifying Disbursements	(964,565)
Total	<u>(\$8,963,945)</u>

Although the School District had qualifying disbursements during the year that reduced the capital acquisition, the amount is not carried forward to the next fiscal year.

NOTE 19 – FUND BALANCE ALLOCATION

The School District has chosen to present to the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications are outlined below:

Fund Balances:	<u>General</u>	<u>Adult Education</u>	<u>Permanent Improvement</u>	<u>Non-Major Funds</u>
Nonspendable:				
Inventory	\$90,234	\$0	\$0	\$5,629
Restricted for:				
Capital Improvements	0	0	0	269,662
Contributor restrictions	0	0	0	7,144
Federal Grants	0	0	0	6,565
Assigned to:				
Adult Education	0	862,735	0	0
Budgetary Encumbrances	192,445	0	0	0
Capital Improvements	0	0	8,090,520	0
Public School Funds	14,126	0	0	0
Local Grants	0	0	0	8,802
Unassigned:	5,851,875	0	0	(8,891)
Total Fund Balances	<u>\$6,148,680</u>	<u>\$862,735</u>	<u>\$8,090,520</u>	<u>\$288,911</u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2012

NOTE 20 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation:

As of June 30, 2012, the School District did not have any pending litigation.

NOTE 21 – CHANGE IN ACCOUNTING ESTIMATE

The School District increased the capital asset valuation threshold during the fiscal year from \$1,000 to \$5,000. This resulted in a significant number of previously capitalized assets and the related accumulated depreciation being removed from the School District's report. The impact of this threshold is as follows:

	Governmental Activities	Rotary Fund/ Business-Type Activities
Net Assets, June 30, 2011	\$18,257,446	\$211,811
Threshold Capitalization Increase	(246,055)	(2,301)
Restated Net Assets, June 30, 2011	\$18,011,391	\$209,510

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor, Pass-Through Grantor, Program Title/Name	Grant Year	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education:						
<u>Child Nutrition Cluster:</u>						
Non-Cash Assistance (Food Distribution):						
School Breakfast Program	2012	10.553		\$ 674		\$ 674
National School Lunch Program	2012	10.555		11,667		11,847
Cash Assistance:						
School Breakfast Program	2012	10.553	\$ 20,027		\$ 20,027	
National School Lunch Program	2012	10.555	87,900		87,900	
Total Child Nutrition Cluster			<u>107,927</u>	<u>12,341</u>	<u>107,927</u>	<u>12,521</u>
Total U.S. Department of Agriculture			<u>107,927</u>	<u>12,341</u>	<u>107,927</u>	<u>12,521</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<u>Student Financial Aid Cluster:</u>						
Federal Pell Grant Program	2012	84.063	661,308	0	661,308	0
Direct Loan Program	2012	84.268	1,427,903	0	1,427,903	0
Total Student Financial Aid Cluster			<u>2,089,211</u>	<u>0</u>	<u>2,089,211</u>	<u>0</u>
Passed Through Ohio Department of Education:						
Adult Education - Basic Grants to States	2012	84.002	116,939	0	116,939	0
Adult Education - Basic Grants to States (Innovation Grant)	2010	84.002	(985)		0	
Total CFDA Number 84.002			<u>115,954</u>	<u>0</u>	<u>116,939</u>	<u>0</u>
Special Education Grants to States	2012	84.027	0	0	11,755	0
Special Education Grants to States	2011	84.027	14,400	0	16,000	0
Total CFDA Number 84.027			<u>14,400</u>	<u>0</u>	<u>27,755</u>	<u>0</u>
Improving Teacher Quality State Grants	2012	84.367	0	0	3,878	0
ARRA - Race to the Top	2012	84.395	0	0	1,400	0
Career & Technical Education Basic Grants to States	2012	84.048	198,519	0	233,733	0
Passed Through Butler Technology and Career Development:						
Career & Technical Education Basic Grants to States	2012	84.048	95,537	0	100,325	0
Total CFDA Number 84.048			<u>294,056</u>	<u>0</u>	<u>334,058</u>	<u>0</u>
Total U.S. Department of Education			<u>2,513,621</u>	<u>0</u>	<u>2,573,241</u>	<u>0</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>						
Passed Through Connect Ohio:						
ARRA-State Broadband Data and Development Grant Program	2011	11.558	6,804	0	6,804	0
Total U.S. Department of Commerce			<u>6,804</u>	<u>0</u>	<u>6,804</u>	<u>0</u>
Total Federal Assistance			<u>\$2,628,352</u>	<u>\$12,341</u>	<u>\$2,687,972</u>	<u>\$12,521</u>

The accompanying notes to this schedule are an integral part of this schedule.

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Warren County Vocational School District's (the School District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – REFUND OF ABLE INNOVATION GRANT RECEIPTS FOR FY 2012, CFDA # 84.002

Each project completed approved activities within the time frames allotted by the Ohio Department of Education (ODE). At the conclusion of the grant period, ODE required the District to return any unused grant monies. The District returned \$985 of ABLE Innovation Grant to ODE during the audit period. It is reflected as a negative receipt on the accompanying Schedule.



Dave Yost • Auditor of State

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

Warren County Vocational School District
Warren County
3529 N. State Route 48
Lebanon, Ohio 45036

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren County Vocational School District, Warren County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 16, 2013. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School 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 School 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 School 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
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www.auditor.state.oh.us

Warren County Vocational School District
Warren County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 16, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Warren County Vocational School District
Warren County
3529 N. State Route 48
Lebanon, Ohio 45036

To the Board of Education:

Compliance

We have audited the compliance of Warren County Vocational School District, Warren County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The School District's management 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 School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be 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.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

January 16, 2013

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Student Financial Aid Cluster CFDA# 84.063 Vocational Education Basic Grants to States CFDA# 84.048
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 5, 2013