



Dave Yost • Auditor of State

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

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SANDUSKY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Vanguard-Sentinel Career and Technology Centers
Sandusky County
1306 Cedar Street
Fremont, Ohio 43420-1197

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio, as of June 30, 2015, and the respective changes in financial position and budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Awards Expenditure Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Columbus, Ohio

March 17, 2016

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**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The management's discussion and analysis of Vanguard-Sentinel Career and Technology Centers (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position of governmental activities increased \$1,486,845 which represents an increase of 4.95% from 2014 as restated in Note 3.A. to the basic financial statements.
- General revenues accounted for \$11,180,971 in revenue or 72.91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,155,161 or 27.09% of total revenues of \$15,336,132.
- The District had \$13,849,287 in expenses related to governmental activities; \$4,155,161 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,180,971 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, permanent improvement fund and classroom facilities fund. The general fund had \$14,105,152 in revenues and \$12,871,887 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased \$1,233,265 from a balance of \$7,028,737 to \$8,262,002.
- The permanent improvement fund had \$815,400 in revenues and other financing sources and \$1,151,157 in expenditures. During fiscal year 2015, the permanent improvement fund's fund balance decreased \$335,757 from \$6,360,688 to \$6,024,931.
- The classroom facilities fund had \$5,118 in revenues and no expenditures. During fiscal year 2015, the classroom facilities fund's fund balance increased \$5,118 from a deficit of \$103,289 to a deficit balance of \$98,171.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, permanent improvement fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, permanent improvement fund and classroom facilities fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. This activity is reported in agency funds. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

	Net Position	
	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
<u>Assets</u>		
Current and other assets	\$ 22,220,399	\$ 21,108,836
Capital assets, net	<u>37,657,734</u>	<u>38,102,502</u>
Total assets	<u>59,878,133</u>	<u>59,211,338</u>
<u>Deferred outflows of resources</u>		
Pension	<u>1,160,011</u>	<u>964,069</u>
<u>Liabilities</u>		
Current liabilities	1,257,631	1,373,765
Long-term liabilities:		
Due within one year	474,762	489,649
Due in more than one year:		
Net pension liability	16,546,642	19,671,053
Other amounts	<u>4,600,672</u>	<u>5,065,802</u>
Total liabilities	<u>22,879,707</u>	<u>26,600,269</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	3,629,543	3,539,281
Pension	<u>3,006,192</u>	<u>-</u>
Total deferred inflows of resources	<u>6,635,735</u>	<u>3,539,281</u>
<u>Net Position</u>		
Net Investment in capital assets	33,589,560	33,654,588
Restricted	2,903,111	2,320,054
Unrestricted	<u>(4,969,969)</u>	<u>(5,938,785)</u>
Total net position	<u>\$ 31,522,702</u>	<u>\$ 30,035,857</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$48,742,841 to a balance of \$30,035,857.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets exceeded liabilities and deferred inflows of resources by \$31,522,702. Of this total, a deficit of \$4,969,969 is unrestricted in use.

At year-end, capital assets represented 62.89% of total assets. Capital assets include land, construction in progress, buildings and building improvements, furniture, fixtures and equipment and vehicles. Net investment in capital assets at June 30, 2015, was \$33,589,560. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$2,903,111, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$4,969,969. The deficit balance of unrestricted net position was the result of reporting the net pension liability required by GASB 68.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The table below shows the change in net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,100,813	\$ 1,192,500
Operating grants and contributions	3,054,348	3,008,008
General revenues:		
Property taxes	4,359,972	3,824,312
Grants and entitlements	6,582,369	6,599,563
Investment earnings	85,956	98,790
Other	<u>152,674</u>	<u>260,198</u>
Total revenues	<u>\$ 15,336,132</u>	<u>\$ 14,983,371</u>

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Change in Net Position

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 99,208	\$ 111,843
Special	156,815	204,242
Vocational	8,234,203	8,025,834
Adult/continuing	583,481	702,829
Support services:		
Pupil	602,757	594,601
Instructional staff	765,859	871,427
Board of education	61,044	72,956
Administration	989,238	980,601
Fiscal	514,985	487,662
Operations and maintenance	1,541,012	1,482,424
Pupil transportation	57,293	85,710
Central	431	
Operations of non-instructional services:		
Other non-instructional services	66,423	67,237
Food service operations	83,049	98,224
Extracurricular activities	9,774	11,078
Interest and fiscal charges	83,715	91,464
Total expenses	<u>13,849,287</u>	<u>13,888,132</u>
Change in net position	1,486,845	1,095,239
Net position at beginning of year (restated)	<u>30,035,857</u>	<u>28,940,618</u>
Net position at end of year	<u>\$ 31,522,702</u>	<u>\$ 30,035,857</u>

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$964,069 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$689,257.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Total 2015 program expenses under GASB 68	\$ 13,849,287
Pension expense under GASB 68	
2015 contractually required contributions	1,003,418
Net pension liability	<u>(689,257)</u>
Adjusted 2015 program expenses	14,163,448
Total 2014 program expenses under GASB 27	<u>13,888,132</u>
Increase (decrease) in program expenses not related to pension	<u>\$ 275,316</u>

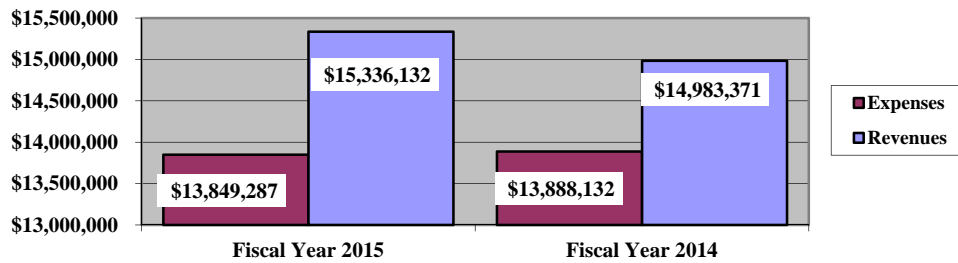
Net position of the District's governmental activities increased \$1,486,845. Total governmental expenses of \$13,849,287 were offset by program revenues of \$4,155,161 and general revenues of \$11,180,971. Program revenues supported 30.00% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 71.35% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,073,707 or 65.52% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2015 and 2014.

Governmental Activities - Revenues and Expenses



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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

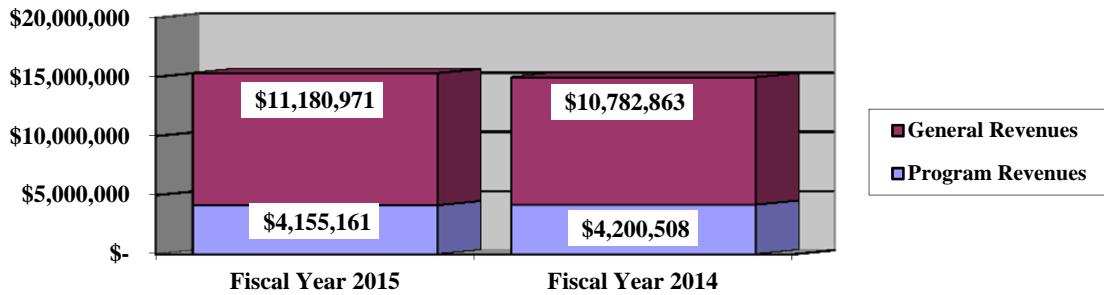
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program expenses				
Instruction:				
Regular	\$ 99,208	\$ 99,208	\$ 111,843	\$ 111,843
Special	156,815	156,815	204,242	204,242
Vocational	8,234,203	5,167,231	8,025,834	4,976,571
Adult/continuing	583,481	(47,025)	702,829	11,131
Support services:				
Pupil	602,757	527,441	594,601	510,486
Instructional staff	765,859	614,489	871,427	735,778
Board of education	61,044	61,044	72,956	72,956
Administration	989,238	965,420	980,601	950,680
Fiscal	514,985	514,985	487,662	487,662
Operations and maintenance	1,541,012	1,483,488	1,482,424	1,424,980
Pupil transportation	57,293	57,293	85,710	85,710
Central	431	431		
Operations of non-instructional services:				
Other non-instructional services	66,423	66,423	67,237	66,433
Food service operations	83,049	(66,606)	98,224	(53,390)
Extracurricular activities	9,774	9,774	11,078	11,078
Interest and fiscal charges	83,715	83,715	91,464	91,464
Total expenses	<u>\$ 13,849,287</u>	<u>\$ 9,694,126</u>	<u>\$ 13,888,132</u>	<u>\$ 9,687,624</u>

The dependence upon tax and other general revenues for governmental activities is apparent; 59.25% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 70.00%. The District's taxpayers and State funding are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2015 and 2014.

Governmental Activities - General and Program Revenues



**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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(Continued)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$16,428,510, which is more than last year's total of \$15,273,212. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance (deficit) <u>June 30, 2015</u>	Fund Balance (deficit) <u>June 30, 2014</u>	Increase (decrease)	Percentage Change
General	\$ 8,262,002	\$ 7,028,737	\$ 1,233,265	17.55 %
Permanent Improvement	6,024,931	6,360,688	(335,757)	(5.28) %
Classroom Facilities	(98,171)	(103,289)	5,118	4.96 %
Other Governmental	<u>2,239,748</u>	<u>1,987,076</u>	<u>252,672</u>	12.72 %
Total	<u>\$ 16,428,510</u>	<u>\$ 15,273,212</u>	<u>\$ 1,155,298</u>	7.56 %

General Fund

The District's general fund balance increased \$1,233,265 or 17.55%.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2015 Amount</u>	<u>2014 Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 4,385,959	\$ 4,091,428	\$ 294,531	7.20 %
Earnings on investments	90,104	98,684	(8,580)	(8.69) %
Rent	42,124	42,044	80	0.19 %
Classroom materials and fees	82,104	106,206	(24,102)	(22.69) %
Intergovernmental	8,818,874	8,794,538	24,336	0.28 %
Other revenues	<u>685,987</u>	<u>807,588</u>	<u>(121,601)</u>	(15.06) %
Total	<u>\$ 14,105,152</u>	<u>\$ 13,940,488</u>	<u>\$ 164,664</u>	1.18 %
<u>Expenditures</u>				
Instruction	\$ 7,514,090	\$ 7,576,280	\$ (62,190)	(0.82) %
Support services	4,042,428	3,888,818	153,610	3.95 %
Extracurricular activities	9,774	11,078	(1,304)	(11.77) %
Debt service	<u>96,274</u>	<u>103,295</u>	<u>(7,021)</u>	(6.80) %
Total	<u>\$ 11,662,566</u>	<u>\$ 11,579,471</u>	<u>\$ 83,095</u>	0.72 %

Classroom materials and fees revenue decreased \$24,102 or 22.69% from the prior year due mainly to tutoring income decreasing. Other revenues decreased \$121,601 or 15.06% from the prior fiscal year due mainly to fewer tuition revenues being received from satellite programs and for miscellaneous fees. All other revenues and expenditures remain comparable to the prior year.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Permanent Improvement Fund

The permanent improvement fund had \$815,400 in revenues and other financing sources and \$1,151,157 in expenditures. During fiscal year 2015, the permanent improvement fund's fund balance decreased \$335,757 from \$6,360,688 to \$6,024,931.

Classroom Facilities Fund

The classroom facilities fund had \$5,118 in revenues and no expenditures. During fiscal year 2015, the classroom facilities fund's fund balance increased \$5,118 from a deficit of \$103,289 to a deficit balance of \$98,171.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of fiscal year 2015, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$13,650,491 and final budgeted revenues and other financing sources were \$13,927,004. Actual revenues and other financing sources for fiscal year 2015 were \$13,927,004.

General fund original appropriations (appropriated expenditures including other financing uses) were \$14,310,103 and the final appropriations were \$14,310,104. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$13,467,972, which was \$842,132 less than the final budget appropriations, due to controls on spending.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$37,657,734 invested in land, buildings and building improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2015 balances compared to 2014:

**Capital Assets at June 30, 2015
(Net of Depreciation)**

	Governmental Activities	
	2015	2014
Land	\$ 795,737	\$ 795,737
Building and building improvements	35,745,636	36,194,170
Furniture, fixtures and equipment	1,086,318	1,067,442
Vehicles	30,043	45,153
Total	\$ 37,657,734	\$ 38,102,502

The overall decrease in capital assets of \$444,768 is due to depreciation expense of \$1,430,750 exceeding capital outlays of \$988,196 and disposals of \$2,214 (net of accumulated depreciation) in the fiscal year.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2015, the District had \$4,035,000 in qualified school construction bond certificates of participation outstanding and \$33,174 in capital lease obligations outstanding. Of this total, \$384,740 is due within one year and \$3,683,434 is due in more than one year. The following table summarizes the outstanding debt at year end.

Outstanding Debt, at Fiscal Year End

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
2010 Certificates of Participation	\$ 4,035,000	\$ 4,400,000
Capital lease obligations	<u>33,174</u>	<u>47,914</u>
Total	<u>\$ 4,068,174</u>	<u>\$ 4,447,914</u>

At June 30, 2015, the District's overall legal debt margin was \$276,399,231, and an unvoted debt margin of \$3,071,013.

See Note 10 to the basic financial statements for additional information on the District's long-term obligations.

Current Financial Related Activities

The District remains financially stable despite the uncertainty of future State funding. The District is primarily a residential/farming community covering 13 public school districts in nine northwest Ohio counties.

Over the past several years, the District has maintained a strong financial position. The District has not been on the ballot for operating funds since 1970. The current five-year forecast indicates the District will not need to request additional operating funds.

The District reached a new labor contract with its certified employees in May, 2014 for a three year period ending June 30, 2017. Similar terms were awarded to classified staff.

Contacting the District's Financial Management

This financial report is designed to provide our citizens taxpayers, and investors and creditors with a general overview of the District's finances and to show that the District is accountable for the money it receives. If you have questions about this report or need additional financial information contact Mr. Alan Binger, Treasurer, Vanguard-Sentinel Career and Technology Centers, 1306 Cedar Street, Fremont, OH 43420-1197, or email at abinger@vsctc.org.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 16,932,765
Cash in segregated accounts	632
Receivables:	
Property taxes	4,448,019
Accounts.	2,519
Accrued interest	24,957
Intergovernmental	754,439
Prepayments	48,664
Inventory held for resale.	8,404
Capital assets:	
Nondepreciable capital assets	795,737
Depreciable capital assets, net.	36,861,997
Capital assets, net	37,657,734
Total assets.	59,878,133
 Deferred outflows of resources:	
Pension - STRS	950,500
Pension - SERS	209,511
Total deferred outflows of resources	1,160,011
 Liabilities:	
Accounts payable.	142,942
Accrued wages and benefits payable	924,068
Pension and postemployment benefits.	142,373
Intergovernmental payable	41,992
Accrued interest payable	6,256
Long-term liabilities:	
Due within one year.	474,762
Due in more than one year:	
Net pension liability (See Note 12)	16,546,642
Other amounts due in more than one year	4,600,672
Total liabilities	22,879,707
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	3,629,543
Pension - STRS.	2,612,969
Pension - SERS.	393,223
Total deferred inflows of resources	6,635,735
 Net position:	
Net investment in capital assets	33,589,560
Restricted for:	
Capital projects	709,978
Classroom facilities maintenance	1,619,522
Adult education	411,295
Expendable trust	108,831
Other purposes	53,485
Unrestricted (deficit)	(4,969,969)
Total net position.	\$ 31,522,702

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 99,208	\$ -	\$ -	\$ (99,208)
Special	156,815	-	-	(156,815)
Vocational	8,234,203	615,417	2,451,555	(5,167,231)
Adult/continuing.	583,481	365,300	265,206	47,025
Support services:				
Pupil.	602,757	-	75,316	(527,441)
Instructional staff	765,859	-	151,370	(614,489)
Board of education	61,044	-	-	(61,044)
Administration.	989,238	-	23,818	(965,420)
Fiscal.	514,985	-	-	(514,985)
Operations and maintenance	1,541,012	57,524	-	(1,483,488)
Pupil transportation.	57,293	-	-	(57,293)
Central	431	-	-	(431)
Operation of non-instructional services:				
Other non-instructional services	66,423	-	-	(66,423)
Food service operations	83,049	62,572	87,083	66,606
Extracurricular activities.	9,774	-	-	(9,774)
Interest and fiscal charges	83,715	-	-	(83,715)
Total governmental activities	\$ 13,849,287	\$ 1,100,813	\$ 3,054,348	(9,694,126)
		General revenues:		
		Property taxes levied for:		
		General purposes		4,359,972
		Grants and entitlements not restricted to specific programs		6,582,369
		Investment earnings		85,956
		Miscellaneous		152,674
		Total general revenues		11,180,971
		Change in net position		1,486,845
		Net position at beginning of year (restated).		30,035,857
		Net position at end of year.		\$ 31,522,702

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 8,571,890	\$ 6,025,201	\$ -	\$ 2,335,674	\$ 16,932,765
Cash in segregated accounts	632	-	-	-	632
Receivables:					
Property taxes	4,448,019	-	-	-	4,448,019
Accounts	2,519	-	-	-	2,519
Intergovernmental	1,920	-	709,978	42,541	754,439
Accrued interest	24,957	-	-	-	24,957
Interfund loans	113,171	-	-	-	113,171
Prepayments	35,740	-	-	12,924	48,664
Inventory held for resale	2,012	-	-	6,392	8,404
Total assets	<u>\$ 13,200,860</u>	<u>\$ 6,025,201</u>	<u>\$ 709,978</u>	<u>\$ 2,397,531</u>	<u>\$ 22,333,570</u>
Liabilities:					
Accounts payable	\$ 121,793	\$ 270	\$ -	\$ 20,879	\$ 142,942
Accrued wages and benefits payable	833,393	-	-	90,675	924,068
Compensated absences payable	11,675	-	-	-	11,675
Intergovernmental payable	37,156	-	-	4,836	41,992
Pension and postemployment benefits	115,980	-	-	26,393	142,373
Interfund loans payable	-	-	98,171	15,000	113,171
Total liabilities	<u>1,119,997</u>	<u>270</u>	<u>98,171</u>	<u>157,783</u>	<u>1,376,221</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	3,629,543	-	-	-	3,629,543
Delinquent property tax revenue not available	169,311	-	-	-	169,311
Intergovernmental revenue not available	-	-	709,978	-	709,978
Accrued interest not available	20,007	-	-	-	20,007
Total deferred inflows of resources	<u>3,818,861</u>	<u>-</u>	<u>709,978</u>	<u>-</u>	<u>4,528,839</u>
Fund balances:					
Nonspendable:					
Prepays	35,740	-	-	12,924	48,664
Restricted:					
Adult education	-	-	-	435,498	435,498
Classroom facilities maintenance	-	-	-	1,622,265	1,622,265
Food service operations	-	-	-	62,738	62,738
Vocational education	-	-	-	108,831	108,831
Assigned:					
Student instruction	399,236	-	-	-	399,236
Student and staff support	105,128	-	-	-	105,128
Debt service	-	4,035,000	-	-	4,035,000
Capital improvements	-	1,989,931	-	-	1,989,931
Other purposes	176,715	-	-	-	176,715
Unassigned (deficit)	7,545,183	-	(98,171)	(2,508)	7,444,504
Total fund balances (deficit)	<u>8,262,002</u>	<u>6,024,931</u>	<u>(98,171)</u>	<u>2,239,748</u>	<u>16,428,510</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,200,860</u>	<u>\$ 6,025,201</u>	<u>\$ 709,978</u>	<u>\$ 2,397,531</u>	<u>\$ 22,333,570</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

Total governmental fund balances		\$	16,428,510
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			37,657,734
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	169,311	
Accrued interest receivable		20,007	
Intergovernmental receivable		709,978	
Total		899,296	899,296
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(6,256)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		1,160,011	
Deferred inflows of resources - pension		(3,006,192)	
Net pension liability		(16,546,642)	
Total		(18,392,823)	(18,392,823)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
2010 Certifications of participation		4,035,000	
Capital lease obligations		33,174	
Compensated absences		995,585	
Total		(5,063,759)	(5,063,759)
Net position of governmental activities		\$	31,522,702

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 4,385,959	\$ -	\$ -	\$ -	\$ 4,385,959
Tuition	296,884	-	-	363,797	660,681
Earnings on investments	90,104	-	-	436	90,540
Charges for services	-	-	-	62,572	62,572
Classroom materials and fees	82,104	-	-	1,503	83,607
Rental income	42,124	15,400	-	-	57,524
Contributions and donations	15,058	-	-	-	15,058
Contract services	73,222	-	-	-	73,222
Other local revenues	300,823	-	5,118	-	305,941
Intergovernmental - state	8,818,874	-	-	173,359	8,992,233
Intergovernmental - federal	-	-	-	638,930	638,930
Total revenues	14,105,152	15,400	5,118	1,240,597	15,366,267
Expenditures:					
Current:					
Instruction:					
Regular	102,480	-	-	-	102,480
Special	180,349	-	-	-	180,349
Vocational	7,231,261	-	-	214,190	7,445,451
Adult/continuing	-	-	-	636,920	636,920
Support services:					
Pupil	508,767	-	-	76,884	585,651
Instructional staff	634,996	-	-	154,477	789,473
Board of education	61,715	-	-	-	61,715
Administration	945,002	-	-	24,316	969,318
Fiscal	487,363	-	-	-	487,363
Operations and maintenance	1,346,583	-	-	124,860	1,471,443
Pupil transportation	57,571	-	-	-	57,571
Central	431	-	-	-	431
Operation of non-instructional services:					
Food service operations	-	-	-	162,821	162,821
Extracurricular activities	9,774	-	-	-	9,774
Facilities acquisition and construction	-	786,157	-	-	786,157
Debt service:					
Principal retirement	12,303	365,000	-	2,437	379,740
Interest and fiscal charges	83,971	-	-	341	84,312
Total expenditures	11,662,566	1,151,157	-	1,397,246	14,210,969
Excess (deficiency) of revenues over (under) expenditures	2,442,586	(1,135,757)	5,118	(156,649)	1,155,298
Other financing sources (uses):					
Transfers in	-	800,000	-	409,321	1,209,321
Transfers (out)	(1,209,321)	-	-	-	(1,209,321)
Total other financing sources (uses)	(1,209,321)	800,000	-	409,321	-
Net change in fund balances	1,233,265	(335,757)	5,118	252,672	1,155,298
Fund balances (deficit) at beginning of year	7,028,737	6,360,688	(103,289)	1,987,076	15,273,212
Fund balances (deficit) at end of year	\$ 8,262,002	\$ 6,024,931	\$ (98,171)	\$ 2,239,748	\$ 16,428,510

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

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

Net change in fund balances - total governmental funds	\$	1,155,298
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 988,196	
Current year depreciation	<u>(1,430,750)</u>	
Total		(442,554)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(2,214)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(25,987)	
Earnings on investments	<u>(4,148)</u>	
Total		(30,135)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	365,000	
Capital leases	<u>14,740</u>	
Total		379,740
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable		597
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,003,418
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(689,257)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>111,952</u>
Change in net position of governmental activities	\$	<u>1,486,845</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,069,664	\$ 4,259,853	\$ 4,259,853	\$ -
Earnings on investments	87,623	99,020	99,020	-
Classroom materials and fees	91,100	56,646	56,646	-
Rental income	42,004	42,164	42,164	-
Other local revenues	232,100	319,121	319,121	-
Intergovernmental - state	9,099,000	9,114,956	9,114,956	-
Total revenues	<u>13,621,491</u>	<u>13,891,760</u>	<u>13,891,760</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	113,372	106,552	105,445	1,107
Special	214,588	206,946	190,424	16,522
Vocational	8,202,345	8,235,196	7,704,851	530,345
Support services:				
Pupil	506,430	511,422	504,143	7,279
Instructional staff	655,959	667,502	655,476	12,026
Board of education	150,023	149,599	68,471	81,128
Administration	939,741	946,545	911,089	35,456
Fiscal	503,135	505,704	490,903	14,801
Operations and maintenance	1,567,861	1,519,948	1,434,728	85,220
Pupil transportation	104,936	106,528	87,336	19,192
Central	0	2,500	431	2,069
Extracurricular activities	10,005	9,982	8,103	1,879
Debt service:				
Interest and fiscal charges	82,387	82,359	82,251	108
Total expenditures	<u>13,050,782</u>	<u>13,050,783</u>	<u>12,243,651</u>	<u>807,132</u>
Excess of revenues over expenditures	<u>570,709</u>	<u>840,977</u>	<u>1,648,109</u>	<u>807,132</u>
Other financing sources (uses):				
Refund of prior year's expenditures	2,000	476	476	-
Transfers (out)	(1,209,321)	(1,209,321)	(1,209,321)	-
Advances in	15,000	15,000	15,000	-
Advances (out)	(50,000)	(50,000)	(15,000)	35,000
Sale of capital assets	12,000	19,768	19,768	-
Total other financing sources (uses)	<u>(1,230,321)</u>	<u>(1,224,077)</u>	<u>(1,189,077)</u>	<u>35,000</u>
Net change in fund balance	<u>(659,612)</u>	<u>(383,100)</u>	<u>459,032</u>	<u>842,132</u>
Fund balance at beginning of year	6,673,025	6,673,025	6,673,025	-
Prior year encumbrances appropriated	633,398	633,398	633,398	-
Fund balance at end of year	<u>\$ 6,646,811</u>	<u>\$ 6,923,323</u>	<u>\$ 7,765,455</u>	<u>\$ 842,132</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2015**

	Agency
Assets:	
Equity in pooled cash and investments	\$ 63,451
Receivables:	
Accounts	6,075
Prepayments	73
Total assets.	\$ 69,599
Liabilities:	
Accounts payable.	\$ 1,151
Due to students.	68,448
Total liabilities	\$ 69,599

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Vanguard-Sentinel Career and Technology Centers (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The District operates under an appointed Board of Education consisting of 14 members. Each participating exempted village, local and city school district with the exception of Fremont City School District has one representative on the Board of Education; Fremont City School District has two representatives on the Board. The District provides educational services as authorized by State statute and/or Federal guidelines.

The District was established in 1965 for the purpose of providing vocational education to students in Sandusky County. Clyde, Fremont, Gibsonburg, and Lakota School Districts were the initial districts. The first students attended the District in September 1968. Port Clinton City School District joined in 1971 and Old Fort in 1975. In 1985, a new building was opened in Tiffin, Ohio to provide vocational education to students in Seneca and Wyandot counties. Member districts of the Sentinel Career Center in Tiffin are: Fostoria, Hopewell-Loudon, Mohawk, New Riegel, Seneca East, Tiffin City and Upper Sandusky schools.

The District serves an area of approximately 1600 square miles with an enrollment of 834 students. The District employed 10 administrative and supervisory personnel, 77 certified employees and 31 non-certificated employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-six area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among members. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school and representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating schools are located. The degree of control exercised by any participating school is limited to its representation on the Board. The District paid \$21,550 to NOECA for services during fiscal year 2015. Financial information can be obtained by contacting Matthew Bauer, who serves as controller, at 219 Howard Drive, Sandusky, Ohio 44870.

INSURANCE POOLS

Better Business Bureau of Central Ohio's Workers' Compensation Group Retrospective Rating Plan

The District participates in the Better Business Bureau Group Retrospective Rating Plan Program (the "GRP"), an insurance purchasing pool. The GRP's business and affairs are conducted by Sheakley Uniservice Inc. Sheakley Uniservice Inc. serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program. Refer to Note 11 for further information on the GRP.

San-Ott Schools Employee Welfare Benefit Association

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association (the "Association"), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$150,000 and aggregate claims in excess of 120 percent of expected claims.

B. Basis of Presentation and Measurement Focus

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

GOVERNMENTAL FUNDS

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

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

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SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Permanent Improvement fund - The permanent improvement fund accounts for resources transferred from the general fund to be used for acquisition, construction, or improvement of capital facilities.

Classroom Facilities fund - The classroom facilities fund is used to account for financial resources and expenditures related to the school facilities construction and renovation project.

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

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

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level within each fund. Any budgetary modifications at this level may only be made by the Board. Budgetary allocations at the function level within a fund are made by the District Treasurer.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2015, investments were limited to negotiable and non-negotiable certificates of deposit, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government money markets and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 fiscal year 2015 amounted to \$90,104, which includes \$46,023 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

H. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis. Inventory is recorded as an expenditure/expense when used.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of resale supplies and donated and purchased food.

I. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2015, the balance in the budget stabilization reserve was \$615,909. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

J. Capital Assets

All of the District's capital assets are general capital assets resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position, but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The District maintains a capitalization threshold of two-thousand-dollars. The District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Buildings and Building Improvements	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	5 years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. The District records a liability for accumulated unused sick leave for all employees with at least twenty years of service or any amount of service and at least forty-five years of age.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Certificates of participation and leases are recognized as a liability on the fund financial statements when due.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service.

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

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SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

P. Interfund Activity

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Interfund activities between governmental funds are eliminated in the statement of activities.

Q. Pensions

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

S. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 12 to the financial statements, and added required supplementary information which is presented immediately following the Notes to the Basic Financial Statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 48,742,841
Deferred outflows - payments subsequent to measurement date	(19,671,053)
Net pension liability	964,069
Restated net position at July 1, 2014	\$ 30,035,857

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

B. Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
Classroom facilities	\$ 98,171
<u>Nonmajor fund</u>	
Vocational education	2,292

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year-end, the District had \$632 in change funds on hand which is included on the financial statements of the District as part of "cash in segregated accounts."

B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$10,985,928, which includes \$6,030,088 in non-negotiable certificates of deposit. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$8,685,245 of the District's bank balance of \$11,200,795 was exposed to custodial risk as discussed below, while \$2,515,550 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2015, the District had the following investments and maturity:

Investment type	Fair Value	Investment Maturities				
		6 months or less	17 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 150	\$ 150	\$ -	\$ -	\$ -	\$ -
FHLB	355,522	-	-	355,522	-	-
FHLMC	1,921,730	-	-	-	-	1,921,730
FNMA	1,499,415	-	-	-	-	1,499,415
FHLMC	499,880	-	-	-	499,880	-
FFCB	497,210	-	-	-	-	497,210
Negotiable CD's	1,227,365	-	249,162	-	740,905	237,298
U.S. Government money market	9,016	9,016	-	-	-	-
Total	\$ 6,010,288	\$ 9,166	\$ 249,162	\$ 355,522	\$ 1,240,785	\$ 4,155,653

The weighted average maturity of investments is 2.77 years.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The District's investments in federal agency securities were rated AA+ and Aaa by Moody's Investor Services and Standard & Poor's, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Negotiable CDs and U.S. Government money market were not rated. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The federal agency securities 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 District's name. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

STAR Ohio	\$ 150	0.01
FHLB	355,522	5.92
FHLMC	1,921,730	31.96
FNMA	1,499,415	24.95
FHLMC	499,880	8.32
FFCB	497,210	8.27
Negotiable CDs	1,227,365	20.42
U.S. government money markets	<u>9,016</u>	<u>0.15</u>
Total	<u>\$ 6,010,288</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,985,928
Investments	6,010,288
Cash on hand	<u>632</u>
Total	<u>\$ 16,996,848</u>

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 16,933,397
Agency funds	<u>63,451</u>
Total	<u>\$ 16,996,848</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2015 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Classroom facilities	\$ 98,171
General fund	Adult basic literacy education (a nonmajor governmental fund)	<u>15,000</u>
Total		<u>\$ 113,171</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2015 are reported on the statement of net position.

- B. Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Permanent improvement fund	\$ 800,000
OSFC maintenance fund (a nonmajor governmental fund)	<u>409,321</u>
Total	<u>\$ 1,209,321</u>

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from nine counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$649,165 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$523,059 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 2,731,759,170	94.46	\$2,905,775,580	94.62
Public utility personal	<u>160,328,910</u>	<u>5.54</u>	<u>165,326,990</u>	<u>5.38</u>
Total	<u>\$ 2,892,088,080</u>	<u>100.00</u>	<u>\$3,071,102,570</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$1.60		\$1.60	

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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 the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 4,448,019
Accounts	2,519
Accrued interest	24,957
Intergovernmental	<u>754,439</u>
Total	<u>\$ 5,229,934</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

NOTE 8 - CAPITAL ASSETS

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

	Balance <u>06/30/14</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/15</u>
<i>Governmental activities:</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 795,737	\$ -	\$ -	\$ 795,737
Total capital assets, not being depreciated	<u>795,737</u>	<u>-</u>	<u>-</u>	<u>795,737</u>
<i>Capital assets, being depreciated:</i>				
Buildings and building improvements	44,918,760	649,040	-	45,567,800
Furniture, fixtures and equipment	4,442,948	339,156	(188,576)	4,593,528
Vehicles	<u>601,054</u>	<u>-</u>	<u>-</u>	<u>601,054</u>
Total capital assets, being depreciated	<u>49,962,762</u>	<u>988,196</u>	<u>(188,576)</u>	<u>50,762,382</u>
<i>Less: accumulated depreciation</i>				
Buildings and building improvements	(8,724,590)	(1,097,574)	-	(9,822,164)
Furniture, fixtures and equipment	(3,375,506)	(318,066)	186,362	(3,507,210)
Vehicles	<u>(555,901)</u>	<u>(15,110)</u>	<u>-</u>	<u>(571,011)</u>
Total accumulated depreciation	<u>(12,655,997)</u>	<u>(1,430,750)</u>	<u>186,362</u>	<u>(13,900,385)</u>
Governmental activities capital assets, net	<u>\$ 38,102,502</u>	<u>\$ (442,554)</u>	<u>\$ (2,214)</u>	<u>\$ 37,657,734</u>

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Vocational	\$ 1,279,673
Adult/continuing	13,955
<u>Support services:</u>	
Pupil	8,024
Administration	15,498
Fiscal	11,875
Operations and maintenance	15,652
Operation of non-instructional services	66,423
Food service operations	<u>19,650</u>
Total depreciation expense	<u>\$ 1,430,750</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into lease agreements to acquire copiers and copier equipment. Lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of equipment have been capitalized in the amount of \$73,364. Accumulated depreciation as of June 30, 2015 was \$44,019, leaving a current book value of \$29,345. Principal and interest payments of \$12,303 and \$1,720, respectively, were paid from the general fund and \$2,437 and \$341, respectively, were paid from the adult education fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the lease agreement and the present value of the future minimum lease payments as of June 30, 2015:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 16,800
2017	16,800
2018	<u>1,400</u>
Total minimum lease payments	35,000
Less: amount representing interest	<u>(1,826)</u>
Total	<u>\$ 33,174</u>

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term liabilities at June 30, 2014 have been restated to include the net pension liability (See Note 3.A. for detail). During fiscal year 2015, the following changes occurred in governmental activities long-term obligations:

	(Restated) Balance Outstanding <u>06/30/14</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/15</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
2010 Certificates of participation	\$ 4,400,000	\$ -	\$ (365,000)	\$ 4,035,000	\$ 370,000
Capital lease	47,914	-	(14,740)	33,174	14,740
Net pension liability	19,671,053	-	(3,124,411)	16,546,642	-
Compensated absences	<u>1,107,537</u>	<u>305,153</u>	<u>(405,430)</u>	<u>1,007,260</u>	<u>90,022</u>
Total long-term obligations, governmental activities	<u>\$ 25,226,504</u>	<u>\$ 305,153</u>	<u>\$ (3,909,581)</u>	<u>\$ 21,622,076</u>	<u>\$ 474,762</u>

2010 Certificates of Participation - On December 18, 2009, the District issued certificates of participation in the amount of \$5,783,812, to construct and renovate buildings. The debt was issued in accordance with the American Recovery and Reinvestment Act of 2009, which provides for federal tax credits for the holders of debt in lieu of interest payments. This reduces the issuers cost of borrowing. This debt was issued for a fifteen year period, with final maturity during fiscal year 2025. The debt will be retired through the Permanent Improvement capital project fund.

The debt maturing on December 16, 2024 is subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal and interest amounts as follows:

Fiscal Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2016	\$ 370,000	\$ 75,075	\$ 445,075
2017	375,000	67,811	442,811
2018	385,000	60,401	445,401
2019	390,000	52,845	442,845
2020	400,000	45,143	445,143
2021 - 2025	<u>2,115,000</u>	<u>104,765</u>	<u>2,219,765</u>
Total	<u>\$ 4,035,000</u>	<u>\$ 406,040</u>	<u>\$ 4,441,040</u>

Compensated absences will be paid from the general fund, food service, adult education, ABLE and VEPPD special revenue funds.

See Note 12 for detail on the net pension liability.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$276,399,231 and an unvoted debt margin of \$3,071,103.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted for the following insurance coverage:

Coverage provided by Wells Fargo Insurance Services USA, Inc.

Buildings and Contents - replacement costs (\$1,000 deductible)

Commercial Auto Coverage

Liability	\$1,000,000
Uninsured/Underinsured Motorist	1,000,000
Medical Payments	5,000

General Liability

Bodily Injury and Property Damage	1,000,000
Products/Completed Operations	2,000,000
Personal and Advertising Injury	1,000,000
Each Occurrence Limit	1,000,000
Damage to Premises Rented to You	1,000,000
Employers Benefits	Included

Educators' Legal Liability

Each Wrongful Act	1,000,000
Annual Aggregate	4,000,000
Excess Liability Each Occurrence/Annual Aggregate	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The District participated in the Sheakley/Better Business Bureau of Central Ohio's Workers' Compensation Group Retrospective Rating Program (GRP). The intent of the GRP program is to achieve the benefit of a reduced net premium for the District by virtue of its grouping and representation with other participants in the program. The program differs from a group rating plan in that the District pays its initial premiums based on the individual rating of the District and then earns refunds distributed over a three-year period based on the performance of the entire group of participants. Employer membership in the group is limited to schools and libraries.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$188,891 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

The District's contractually required contribution to STRS was \$814,527 for fiscal year 2015.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,422,775	\$ 14,123,867	\$ 16,546,642
Proportion of the net pension liability	0.04787200%	0.05806690%	
Pension expense	\$ 141,385	\$ 547,872	\$ 689,257

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 20,620	\$ 135,973	\$ 156,593
District contributions subsequent to the measurement date	<u>188,891</u>	<u>814,527</u>	<u>1,003,418</u>
Total deferred outflows of resources	<u>\$ 209,511</u>	<u>\$ 950,500</u>	<u>\$ 1,160,011</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 393,223</u>	<u>\$ 2,612,969</u>	<u>\$ 3,006,192</u>
Total deferred inflows of resources	<u>\$ 393,223</u>	<u>\$ 2,612,969</u>	<u>\$ 3,006,192</u>

\$1,003,418 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (93,151)	\$ (619,249)	\$ (712,400)
2017	(93,151)	(619,249)	(712,400)
2018	(93,151)	(619,249)	(712,400)
2019	<u>(93,150)</u>	<u>(619,249)</u>	<u>(712,399)</u>
Total	<u>\$ (372,603)</u>	<u>\$ (2,476,996)</u>	<u>\$ (2,849,599)</u>

Actuarial Assumptions - SERS

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,456,579	\$ 2,422,775	\$ 1,553,255

Actuarial Assumptions - STRS

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

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

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

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

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

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SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 20,219,856	\$ 14,123,867	\$ 8,968,712

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$20,378.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$33,981, \$23,663, and \$24,188, respectively. 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$59,720, and \$64,069 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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

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(Continued)

NOTE 14 - OTHER EMPLOYEE BENEFITS – (Continued)

employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred ninety days for teachers and two hundred forty days for classified and administrative personnel. Upon retirement, payment is made for twenty-eight percent (28%) of the value of employee's accrued but unused sick leave days. Employees must have seven years of service in the District.

B. Health Care Benefits

The District provides medical, prescription drug, dental and life insurance benefits to all employees through the San-Ott Schools Employee Welfare Benefit Association.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 459,032
Net adjustment for revenue accruals	98,260
Net adjustment for expenditure accruals	101,767
Net adjustment for other sources/uses	(20,244)
Funds budgeted elsewhere	12,132
Adjustment for encumbrances	582,318
GAAP basis	\$ 1,233,265

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, rotary special services fund and public school support fund.

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. School Foundation

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

C. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	145,207
Current year qualifying expenditures	<u>(145,207)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

In prior fiscal years, the District issued \$5,783,812 in capital related school improvement notes. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from note proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of note proceeds that may be used as an offset in future periods, which was \$5,783,812 at June 30, 2015.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 459,633
Permanent improvement	693,780
Other governmental	<u>49,996</u>
Total	<u>\$ 1,203,409</u>

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.04787200%	0.04787200%
District's proportionate share of the net pension liability	\$ 2,422,775	\$ 2,846,794
District's covered-employee payroll	\$ 1,391,061	\$ 1,473,743
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	193.17%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.05806685%	0.05806685%
District's proportionate share of the net pension liability	\$ 14,123,867	\$ 16,824,259
District's covered-employee payroll	\$ 5,932,831	\$ 6,406,908
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	262.60%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 188,891	\$ 192,801	\$ 203,966	\$ 199,746
Contributions in relation to the contractually required contribution	<u>(188,891)</u>	<u>(192,801)</u>	<u>(203,966)</u>	<u>(199,746)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,433,164	\$ 1,391,061	\$ 1,473,743	\$ 1,485,100
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 181,056	\$ 185,912	\$ 133,613	\$ 133,700	\$ 148,835	\$ 138,193
<u>(181,056)</u>	<u>(185,912)</u>	<u>(133,613)</u>	<u>(133,700)</u>	<u>(148,835)</u>	<u>(138,193)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,440,382	\$ 1,373,058	\$ 1,357,856	\$ 1,361,507	\$ 1,393,586	\$ 1,306,172
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 814,527	\$ 771,268	\$ 832,898	\$ 862,954
Contributions in relation to the contractually required contribution	<u>(814,527)</u>	<u>(771,268)</u>	<u>(832,898)</u>	<u>(862,954)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,818,050	\$ 5,932,831	\$ 6,406,908	\$ 6,638,108
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 883,552	\$ 906,072	\$ 907,950	\$ 920,648	\$ 937,916	\$ 911,065
<u>(883,552)</u>	<u>(906,072)</u>	<u>(907,950)</u>	<u>(920,648)</u>	<u>(937,916)</u>	<u>(911,065)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,796,554	\$ 6,969,785	\$ 6,984,231	\$ 7,081,908	\$ 7,214,738	\$ 7,008,192
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

**FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
National School Lunch Program		
Non-Cash Assistance (Food Distribution)	10.555	\$ 8,203
Cash Assistance	10.555	60,242
Total National School Lunch Program		68,445
School Breakfast Program	10.553	16,982
Total U.S. Department of Agriculture - Nutrition Cluster		85,427
U.S. DEPARTMENT OF EDUCATION		
<i>Direct Program:</i>		
Federal Pell Grant Program	84.063	112,234
<i>Passed Through Ohio Department of Education:</i>		
Adult Education - Basic Grants to States	84.002	241,439
Career and Technical Education - Basic Grants to States	84.048	328,837
Improving Teacher Quality State Grants	84.367	3,145
Total U. S. Department of Education		685,655
Total Federal Awards Expenditures		\$ 771,082

The accompanying notes are an integral part of this schedule.

**VANGUARD–SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditure Schedule (the Schedule) reports Vanguard-Sentinel Career and Technology Centers' (the District's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Vanguard-Sentinel Career and Technology Centers
Sandusky County
1306 Cedar Street
Fremont, Ohio 43420-1197

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2016, wherein we noted the District adopted Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant

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www.ohioauditor.gov

agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Columbus, Ohio

March 17, 2016



Dave Yost • Auditor of State

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

Vanguard-Sentinel Career and Technology Centers
Sandusky County
1306 Cedar Street
Fremont, Ohio 43420-1197

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Vanguard-Sentinel Career and Technology Centers complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 17, 2016

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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VANGUARD SENTINEL CAREER AND TECHNOLOGY CENTERS

SANDUSKY 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
APRIL 5, 2016**