

Dave Yost • Auditor of State

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Stark County Area Vocational School District
Stark County
2800 Richville Drive SE
Massillon, Ohio 44646

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Stark County Area Vocational School District, Stark County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

January 21, 2011

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Stark County Area Vocational School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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 fiscal year 2010 are as follows:

- In total, net assets of governmental activities decreased \$59,463 which represents a 0.40% decrease from 2009.
- General revenues accounted for \$6,918,351 in revenue or 87.94% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$949,093 or 12.06% of total revenues of \$7,867,444.
- The District had \$7,926,907 in expenses related to governmental activities; \$949,093 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,918,351 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,427,881 in revenues and \$7,320,582 in expenditures. During fiscal year 2010, the general fund's fund balance increased \$107,299 from \$9,417,003 to \$9,524,302.

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 assets* 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 is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Assets 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 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all non-fiduciary assets, liabilities, 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.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's 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 assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. 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 only major governmental fund is the general 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 assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and statement of changes in fiduciary net assets on pages 20-21 of this report. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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. These notes to the basic financial statements can be found on pages 23-46 of this report.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current and other assets	\$ 12,814,327	\$ 12,680,670
Capital assets, net	<u>5,891,717</u>	<u>6,022,844</u>
Total assets	<u>18,706,044</u>	<u>18,703,514</u>
<u>Liabilities</u>		
Current liabilities	2,905,671	2,963,552
Long-term liabilities	<u>950,352</u>	<u>830,478</u>
Total liabilities	<u>3,856,023</u>	<u>3,794,030</u>
<u>Net assets</u>		
Invested in capital assets	5,891,717	6,022,844
Restricted	108,883	135,754
Unrestricted	<u>8,849,421</u>	<u>8,750,886</u>
Total net assets	<u>\$ 14,850,021</u>	<u>\$ 14,909,484</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$14,850,021. Of this total, \$8,849,421 is unrestricted in use.

At year-end, capital assets represented 31.50% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. These capital assets are used to provide services to the students and are not available for future spending.

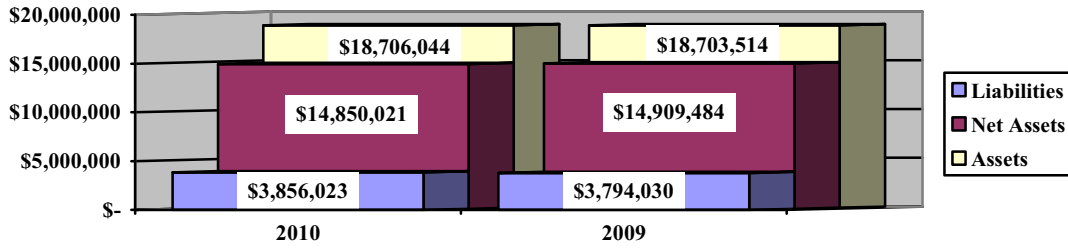
A portion of the District's net assets, \$108,883 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$8,849,421 may be used to meet the District's ongoing obligations to the students and creditors.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The graph below illustrates the District's governmental activities assets, liabilities and net assets at June 30, 2010 and 2009.

Governmental Activities



The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 337,392	\$ 373,607
Operating grants and contributions	611,701	586,315
General revenues:		
Property taxes	2,163,703	2,317,268
Grants and entitlements	4,559,114	4,214,243
Investment earnings	157,664	408,778
Miscellaneous	<u>37,870</u>	<u>39,618</u>
Total revenues	<u>7,867,444</u>	<u>7,939,829</u>

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**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets - (Continued)

	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 805,766	\$ 709,032
Special	128,830	137,066
Vocational	3,428,466	3,366,191
Adult/continuing	-	4,677
Other	237	875
Support services:		
Pupil	1,070,016	911,934
Instructional staff	519,906	574,159
Board of education	16,537	18,862
Administration	367,942	287,004
Fiscal	251,083	251,500
Business	35,696	32,979
Operations and maintenance	876,250	951,114
Central	123,645	105,529
Operation of non-instructional services:		
Food service operations	256,746	247,973
Other non-instructional services	833	1,618
Extracurricular activities	<u>44,954</u>	<u>32,007</u>
Total expenses	<u>7,926,907</u>	<u>7,632,520</u>
Change in net assets	(59,463)	307,309
Net assets at beginning of year	<u>14,909,484</u>	<u>14,602,175</u>
Net assets at end of year	<u>\$ 14,850,021</u>	<u>\$ 14,909,484</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$59,463. Total governmental expenses of \$7,926,907 were offset by program revenues of \$949,093 and general revenues of \$6,918,351. Program revenues supported 11.97% of the total governmental expenses.

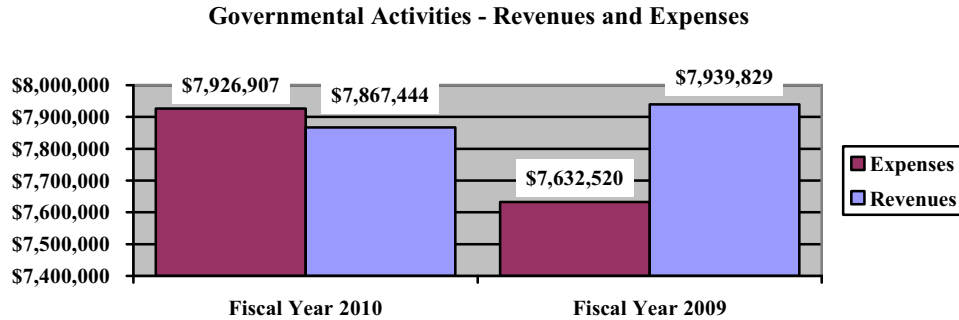
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 85.45% of total governmental revenue.

The largest expense of the District is for instructional programs, primarily vocational instruction. Instruction expenses totaled \$4,363,299 or 55.04% of total governmental expenses for fiscal year 2010.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.



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 grants and entitlements.

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	\$ 805,766	\$ 805,766	\$ 709,032	\$ 708,832
Special	128,830	29,460	137,066	61,315
Vocational	3,428,466	2,947,079	3,366,191	2,856,163
Adult/continuing	-	-	4,677	4,677
Other	237	237	875	875
Support services:				
Pupil	1,070,016	1,051,412	911,934	894,900
Instructional staff	519,906	482,832	574,159	512,526
Board of education	16,537	16,537	18,862	18,862
Administration	367,942	362,942	287,004	282,004
Fiscal	251,083	251,083	251,500	251,500
Business	35,696	35,696	32,979	32,979
Operations and maintenance	876,250	823,597	951,114	897,807
Central	123,645	123,645	105,529	98,290
Operations of non-instructional services:				
Food service operations	256,746	1,741	247,973	18,243
Other non-instructional services	833	833	1,618	1,618
Extracurricular activities	44,954	44,954	32,007	32,007
Total expenses	<u>\$ 7,926,907</u>	<u>\$ 6,977,814</u>	<u>\$ 7,632,520</u>	<u>\$ 6,672,598</u>

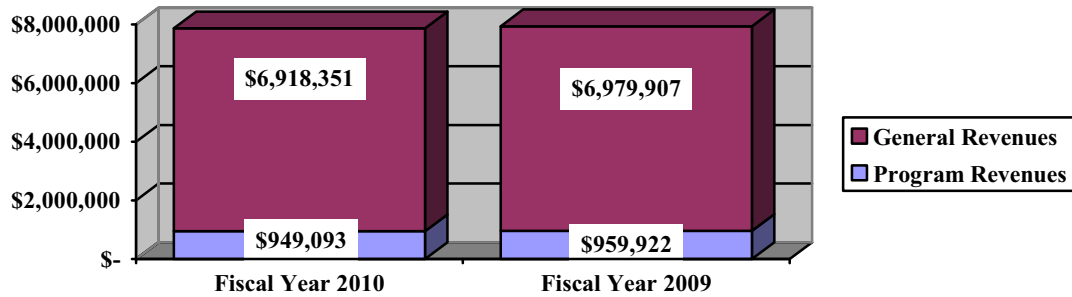
**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The dependence upon tax and other general revenues for governmental activities is apparent; 86.69% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.03%. The District's taxes and intergovernmental revenues, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$9,617,086, which is greater than last year's total of \$9,527,956. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 9,524,302	\$ 9,417,003	\$ 107,299	1.14 %
Other governmental	<u>92,784</u>	<u>110,953</u>	<u>(18,169)</u>	(16.38) %
Total	<u>\$ 9,617,086</u>	<u>\$ 9,527,956</u>	<u>\$ 89,130</u>	0.94 %

General Fund

The District's general fund balance increased \$107,299. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,188,249	\$ 2,314,249	\$ (126,000)	(5.44) %
Earnings on investments	163,391	380,896	(217,505)	(57.10) %
Intergovernmental	4,884,742	4,538,924	345,818	7.62 %
Other revenues	<u>191,499</u>	<u>188,581</u>	<u>2,918</u>	1.55 %
Total	<u>\$ 7,427,881</u>	<u>\$ 7,422,650</u>	<u>\$ 5,231</u>	0.07 %
<u>Expenditures</u>				
Instruction	\$ 4,154,773	\$ 3,887,207	\$ 267,566	6.88 %
Support services	3,119,950	3,267,060	(147,110)	(4.50) %
Non-instructional services	833	1,618	(785)	(48.52) %
Extracurricular activities	44,954	32,007	12,947	40.45 %
Facilities acquisition and construction	<u>72</u>	<u>72</u>	<u>-</u>	- %
Total	<u>\$ 7,320,582</u>	<u>\$ 7,187,964</u>	<u>\$ 132,618</u>	1.85 %

Overall, both revenues and expenditures for the general fund were comparable to the prior year. The most noticeable change in revenues was the decrease in earnings on investments, which was due primarily to a decrease in interest rates. Increased wages and benefits was the primary cause of the increase in instruction expenditures, while lower maintenance costs contributed to the decrease in support services expenditures.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$7,171,810 were increased to \$7,194,811 in the final budget. Actual revenues and other financing sources for fiscal year 2010 were \$7,597,207, which represents a \$402,396 increase from final budgeted revenues.

General fund original appropriations totaled \$7,458,122, and were increased to \$7,621,122 in the final appropriations. The actual budget basis expenditures for fiscal year 2010 totaled \$7,427,765, which was lower than the final budget appropriations by \$193,357.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$5,891,717 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2010 balances compared to 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 144,865	\$ 144,865
Construction in progress	9,806	-
Land improvements	66,173	-
Building and improvements	4,775,191	4,965,066
Furniture and equipment	864,752	874,429
Vehicles	30,930	38,484
 Total	 \$ 5,891,717	 \$ 6,022,844

The overall decrease in capital assets of \$131,127 is due to depreciation expense of \$280,286 exceeding capital outlays of \$149,159.

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

Debt Administration

At June 30, 2010, the District had no debt outstanding. The only long-term obligation for the District is for compensated absences of \$950,352. Of this total, \$180,858 is due within one year and \$769,494 is due in greater than one year. The following table summarizes the compensated absences outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2010	2009
Compensated absences	\$ 950,352	\$ 830,478
Total	\$ 950,352	\$ 830,478

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Current Financial Related Activities

The District's current financial forecast supports financial stability over the next five years. The greatest challenge in maintaining a stable financial forecast is the uncertainty of future State funding. The District relies on the State for approximately 65% of the general fund's cash receipts. The State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed additional revenue growth toward the support of school districts with little property tax wealth. At this time, the District is unable to determine what effect, if any, this will have on future State funding.

During fiscal year 2010, the District began construction of a new dental lab to accommodate the needs of the newly instituted dental assistant/hygienist program. Project costs will be financed exclusively through general fund monies, and the project is scheduled to be completed by the start of the 2010-2011 school year.

There are currently no anticipated needs for any additional operating levies if the assumptions in the five-year forecast prove to be correct.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Nicole Nichols, Treasurer, Stark County Area Vocational School District, 2800 Richville Drive SE, Massillon, Ohio 44646-9433.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 10,366,133
Receivables:	
Taxes	2,379,869
Intergovernmental	30,044
Accrued interest	26,622
Prepayments	5,715
Materials and supplies inventory	5,944
Capital assets:	
Land and construction in progress	154,671
Depreciable capital assets, net.	5,737,046
Total capital assets, net.	5,891,717
 Total assets.	 18,706,044
Liabilities:	
Accounts payable.	15,180
Accrued wages and benefits	621,372
Pension obligation payable.	88,741
Intergovernmental payable	23,479
Unearned revenue	2,156,899
Long-term liabilities:	
Due within one year.	180,858
Due in more than one year	769,494
 Total liabilities	 3,856,023
Net assets:	
Invested in capital assets	5,891,717
Restricted for:	
Federally funded programs	15,673
Other purposes	93,210
Unrestricted	8,849,421
 Total net assets	 \$ 14,850,021

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 805,766	\$ -	\$ -	\$ (805,766)
Special	128,830	-	99,370	(29,460)
Vocational	3,428,466	153,189	328,198	(2,947,079)
Other	237	-	-	(237)
Support services:				
Pupil.	1,070,016	-	18,604	(1,051,412)
Instructional staff	519,906	-	37,074	(482,832)
Board of education	16,537	-	-	(16,537)
Administration.	367,942	-	5,000	(362,942)
Fiscal.	251,083	-	-	(251,083)
Business.	35,696	-	-	(35,696)
Operations and maintenance	876,250	52,653	-	(823,597)
Central	123,645	-	-	(123,645)
Operation of non-instructional services:				
Food service operations	256,746	131,550	123,455	(1,741)
Other non-instructional services	833	-	-	(833)
Extracurricular activities.	44,954	-	-	(44,954)
Totals	\$ 7,926,907	\$ 337,392	\$ 611,701	(6,977,814)
General revenues:				
Property taxes levied for:				
General purposes				2,163,703
Grants and entitlements not restricted to specific programs				4,559,114
Investment earnings				157,664
Miscellaneous				37,870
Total general revenues				6,918,351
Change in net assets				(59,463)
Net assets at beginning of year.				14,909,484
Net assets at end of year				\$ 14,850,021

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 10,238,280	\$ 127,853	\$ 10,366,133
Receivables:			
Taxes	2,379,869	-	2,379,869
Intergovernmental	-	30,044	30,044
Accrued interest	26,622	-	26,622
Due from other funds	13,876	-	13,876
Loans to other funds	30,000	-	30,000
Prepayments	5,715	-	5,715
Materials and supplies inventory	-	5,944	5,944
Total assets	\$ 12,694,362	\$ 163,841	\$ 12,858,203
Liabilities:			
Accounts payable	\$ 15,180	\$ -	\$ 15,180
Accrued wages and benefits	607,189	14,183	621,372
Compensated absences payable	135,605	-	135,605
Pension obligation payable	80,951	7,790	88,741
Intergovernmental payable	22,313	1,166	23,479
Due to other funds	-	13,876	13,876
Loans from other funds	-	30,000	30,000
Deferred revenue	151,923	4,042	155,965
Unearned revenue	2,156,899	-	2,156,899
Total liabilities	3,170,060	71,057	3,241,117
Fund balances:			
Reserved for encumbrances	237,265	4,342	241,607
Reserved for materials and supplies inventory	-	5,944	5,944
Reserved for prepayments	5,715	-	5,715
Reserved for tax revenue unavailable for appropriation	93,202	-	93,202
Reserved for loans	30,000	-	30,000
Unreserved, undesignated, reported in:			
General fund	9,158,120	-	9,158,120
Special revenue funds	-	82,498	82,498
Total fund balances	9,524,302	92,784	9,617,086
Total liabilities and fund balances	\$ 12,694,362	\$ 163,841	\$ 12,858,203

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$	9,617,086
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,891,717
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	129,768	
Accrued interest receivable		22,155	
Intergovernmental receivable		4,042	
Total		<u>155,965</u>	
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.			<u>(814,747)</u>
Net assets of governmental activities		<u>\$</u>	<u>14,850,021</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 2,188,249	\$ -	\$ 2,188,249
Tuition.	-	31,931	31,931
Charges for services	-	131,550	131,550
Earnings on investments	163,391	615	164,006
Other local revenues	191,499	17,843	209,342
Intergovernmental - intermediate	2,439	-	2,439
Intergovernmental - state	4,858,907	10,999	4,869,906
Intergovernmental - federal	23,396	279,822	303,218
Total revenue	<u>7,427,881</u>	<u>472,760</u>	<u>7,900,641</u>
Expenditures:			
Current:			
Instruction:			
Regular.	794,569	-	794,569
Special	48,527	107,225	155,752
Vocational	3,311,440	64,083	3,375,523
Other	237	-	237
Support services:			
Pupil	1,043,917	22,364	1,066,281
Instructional staff.	469,813	39,705	509,518
Board of education	16,537	-	16,537
Administration	291,673	5,018	296,691
Fiscal	254,438	-	254,438
Business.	35,696	-	35,696
Operations and maintenance	885,506	-	885,506
Central	122,370	-	122,370
Operation of non-instructional services:			
Food service operations	-	252,534	252,534
Operation of non-instructional.	833	-	833
Extracurricular activities	44,954	-	44,954
Facilities acquisition and construction	72	-	72
Total expenditures	<u>7,320,582</u>	<u>490,929</u>	<u>7,811,511</u>
Net change in fund balances	107,299	(18,169)	89,130
Fund balances at beginning of year	<u>9,417,003</u>	<u>110,953</u>	<u>9,527,956</u>
Fund balances at end of year.	<u>\$ 9,524,302</u>	<u>\$ 92,784</u>	<u>\$ 9,617,086</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK 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, 2010

Net change in fund balances - total governmental funds	\$	89,130
 <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. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 149,159	
Current year depreciation	<u>(280,286)</u>	
Total		(131,127)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(24,546)	
Accrued interest	(5,727)	
Intergovernmental	<u>(2,924)</u>	
Total		(33,197)
 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>15,731</u>
Change in net assets of governmental activities	\$	<u><u>(59,463)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK 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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,346,749	\$ 2,346,749	\$ 2,302,906	\$ (43,843)
Earnings on investments	205,465	205,465	216,408	10,943
Other local revenues	166,500	189,501	191,500	1,999
Intergovernmental - intermediate	3,800	3,800	2,439	(1,361)
Intergovernmental - state	4,433,296	4,433,296	4,857,983	424,687
Intergovernmental - federal	15,000	15,000	23,396	8,396
Total revenue	<u>7,170,810</u>	<u>7,193,811</u>	<u>7,594,632</u>	<u>400,821</u>
Expenditures:				
Current:				
Instruction:				
Regular	807,082	915,007	779,070	135,937
Special	50,562	50,562	46,185	4,377
Vocational	3,323,930	3,349,194	3,479,303	(130,109)
Other	906	906	237	669
Support services:				
Pupil	880,512	884,312	948,392	(64,080)
Instructional staff	508,714	508,714	496,388	12,326
Board of education	19,947	19,947	16,427	3,520
Administration	292,546	292,546	282,952	9,594
Fiscal	260,334	265,534	254,665	10,869
Business	34,133	34,133	35,696	(1,563)
Operations and maintenance	1,144,227	1,165,038	918,837	246,201
Central	99,356	99,356	123,770	(24,414)
Operation of non-instructional services:				
Other non-instructional services	1,675	1,675	833	842
Extracurricular activities	34,123	34,123	44,938	(10,815)
Facilities acquisition and construction	75	75	72	3
Total expenditures	<u>7,458,122</u>	<u>7,621,122</u>	<u>7,427,765</u>	<u>193,357</u>
Excess of revenues over (under) expenditures	<u>(287,312)</u>	<u>(427,311)</u>	<u>166,867</u>	<u>594,178</u>
Other financing sources:				
Refund of prior year's expenditures	-	-	312	312
Advances in	-	-	2,263	2,263
Sale of capital assets	1,000	1,000	-	(1,000)
Total other financing sources	<u>1,000</u>	<u>1,000</u>	<u>2,575</u>	<u>1,575</u>
Net change in fund balance	(286,312)	(426,311)	169,442	595,753
Fund balance at beginning of year	9,375,892	9,375,892	9,375,892	-
Prior year encumbrances appropriated	388,915	388,915	388,915	-
Fund balance at end of year	<u>\$ 9,478,495</u>	<u>\$ 9,338,496</u>	<u>\$ 9,934,249</u>	<u>\$ 595,753</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments.	\$ 6,089	\$ 32,183
Total assets.	6,089	\$ 32,183
Liabilities:		
Accounts payable.	-	\$ 880
Due to students.	-	31,303
Total liabilities.	-	\$ 32,183
Net assets:		
Held in trust for scholarships.	6,089	
Total net assets.	\$ 6,089	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private-Purpose Trust
	Scholarship
Additions:	
Contributions and donations	\$ 8,622
Deductions:	
Scholarships awarded	16,811
Change in net assets.	(8,189)
Net assets at beginning of year	14,278
Net assets at end of year.	\$ 6,089

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Stark County Area Vocational Board of Education was formed on June 30, 1970. The Stark County Area Vocational School District (the "District") is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and 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. A vocational school exposes students to job training leading to employment upon graduation from high school. The District includes six member schools: Brown Local, Fairless Local, Louisville City, Minerva Local, Northwest Local and Tuslaw Local.

The District operates under a seven-member Board of Education consisting of 1 member from each member school's Board of Education and 1 additional rotating member allowing each member school to have 2 members every 7 years. The District provides educational services as authorized and mandated by State or federal agencies. The District employs 24 non-certified and 55 certified employees to provide services to approximately 635 students.

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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. 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". 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, preschool 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).

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

The District is a member of the Stark-Portage Area Computer Consortium (SPARCC), a jointly governed organization, which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of approximately 31 member districts. However, SPARCC is primarily governed by a five-member executive board, which is made up of two representatives from Stark County, two from Portage County and a Treasurer. The Board meets monthly to address any current issues.

INSURANCE PURCHASING POOL

The Stark County Schools Council of Government (the "Council") is governed by an assembly, which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program, which is a shared risk pool comprised of 70 member school districts, educational service centers and related agencies.

The Council also sponsors a workers' compensation group rating plan, which is an insurance purchasing pool.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Other governmental funds of the District are used to account for (a) grants and other resources whose use is restricted to a particular purpose; and (b) for food service operations.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. 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 student activities and District agency services.

C. Basis of Presentation and Measurement Focus

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

The 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 goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital 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 all liabilities associated with the operation of the District are included on the statement of net assets.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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 (See Note 6).

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, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received 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.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable is as follows:

1. On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.
2. By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the object level of expenditures for the general fund and the fund level of expenditures for all other funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.
5. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. All supplemental appropriations were legally enacted by the Board during fiscal year 2010. The amounts reported in the budgetary statement reflect the original and final appropriations approved by the Board of Education during fiscal year 2010.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control.

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 2010, investments were limited to federal agency securities, U.S. Government money market funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2010. 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, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$163,391, which includes \$2,551 assigned from other 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.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the consumption method.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to activities reported in the governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

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

All reported capital assets except land and construction in progress are depreciated. 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>	Governmental Activities <u>Estimated Lives</u>
Land improvements	50 years
Buildings and improvements	15 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "loans to/from other funds" and are included in fund balance reserves since they do not represent available expendable resources. On fund financial statements, receivables and payables resulting from short-term interfund loans to cover cash deficits are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with one year of service are considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources upon the occurrence of relevant events. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, loans and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represents amounts restricted for special trust, uniform school supplies and adult education.

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

N. 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.

O. Estimates

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

P. 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.

Q. 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 the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2010, the District had no extraordinary or special items.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 11,989
EMIS	18
Miscellaneous federal grants	50

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 result 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.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

A. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$752,765. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$512,873 of the District’s bank balance of \$762,873 was exposed to custodial risk as discussed below, while \$250,000 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.

B. Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 2,509,855	\$ 503,440	\$ -	\$ -	\$ -	\$ 2,006,415
FHLB	2,620,821	1,003,595	509,690	-	101,906	1,005,630
FHLMC	2,757,262	-	1,023,610	730,662	-	1,002,990
FNMA	1,507,345	-	-	-	-	1,507,345
STAR Ohio	189,477	189,477	-	-	-	-
U.S. Government money market	66,880	66,880	-	-	-	-
Total	\$ 9,651,640	\$ 1,763,392	\$ 1,533,300	\$ 730,662	\$ 101,906	\$ 5,522,380

The weighted average maturity of investments is 1.88 years.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investments in federal agency securities were rated AAA and Aaa by Standard and Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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 investments 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 agency, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement the State statute that prohibits payment for investments prior the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no 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, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 2,509,855	26.00
FHLB	2,620,821	27.15
FHLMC	2,757,262	28.58
FNMA	1,507,345	15.62
STAR Ohio	189,477	1.96
U.S. Government money market	<u>66,880</u>	<u>0.69</u>
Total	<u>\$ 9,651,640</u>	<u>100.00</u>

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Assets

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 assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 752,765
Investments	<u>9,651,640</u>
Total	<u>\$ 10,404,405</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 10,366,133
Private-purpose trust fund	6,089
Agency funds	<u>32,183</u>
Total	<u>\$ 10,404,405</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Due to/from other funds consisted of the following at June 30, 2010:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 13,876

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.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

B. Interfund balances at June 30, 2010 as reported on the fund statements consist of the following long-term loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 30,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. The long-term interfund balances are not 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, 2010 are reported on the statement of net assets.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Stark, Carroll, Summit, Tuscarawas, Columbiana and Wayne 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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$93,202 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$207,860 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 tangible personal property taxes which are measurable as of June 30, 2010 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 unearned revenue.

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 deferred.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,271,387,070	96.74	\$ 1,255,685,090	96.61
Public utility personal	40,017,700	3.04	42,695,600	3.28
Tangible personal property	<u>2,836,109</u>	<u>0.22</u>	<u>1,418,051</u>	<u>0.11</u>
Total	<u>\$ 1,314,240,879</u>	<u>100.00</u>	<u>\$ 1,299,798,741</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$2.00		\$2.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, 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 assets follows:

Governmental activities:

Taxes	\$ 2,379,869
Intergovernmental	30,044
Accrued interest	<u>26,622</u>
Total	<u>\$ 2,436,535</u>

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

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 144,865	\$ -	\$ -	\$ 144,865
Construction in progress	-	9,806	-	9,806
Total capital assets, not being depreciated	<u>144,865</u>	<u>9,806</u>	<u>-</u>	<u>154,671</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	-	67,523	-	67,523
Buildings and improvements	10,432,638	15,965	-	10,448,603
Furniture and equipment	1,594,452	55,865	(16,060)	1,634,257
Vehicles	105,895	-	-	105,895
Total capital assets, being depreciated	<u>12,132,985</u>	<u>139,353</u>	<u>(16,060)</u>	<u>12,256,278</u>
<i>Less: accumulated depreciation</i>				
Land improvements	-	(1,350)	-	(1,350)
Buildings and improvements	(5,467,572)	(205,840)	-	(5,673,412)
Furniture and equipment	(720,023)	(65,542)	16,060	(769,505)
Vehicles	(67,411)	(7,554)	-	(74,965)
Total accumulated depreciation	<u>(6,255,006)</u>	<u>(280,286)</u>	<u>16,060</u>	<u>(6,519,232)</u>
Governmental activities capital assets, net	<u>\$ 6,022,844</u>	<u>\$ (131,127)</u>	<u>\$ -</u>	<u>\$ 5,891,717</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Vocational	\$ 121,679
<u>Support services:</u>	
Pupil	57,306
Instructional staff	8,457
Administration	1,691
Fiscal	1,691
Operations and maintenance	85,314
Central	1,275
Food service operations	<u>2,873</u>
Total depreciation expense	<u>\$ 280,286</u>

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/10</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Compensated absences payable	\$ 830,478	\$ 174,023	\$ (54,149)	\$ 950,352	\$ 180,858
Total long-term obligations, governmental activities	<u>\$ 830,478</u>	<u>\$ 174,023</u>	<u>\$ (54,149)</u>	<u>\$ 950,352</u>	<u>\$ 180,858</u>

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund.

B. 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, 2010, are a voted debt margin of \$116,866,193 and an unvoted debt margin of \$1,298,513.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 350 days. Upon retirement, payment is made for 25% of the total sick leave accumulation, up to a maximum accumulation of 73 days severance pay at the daily rate of the employee. In addition, upon retirement the District Superintendent receives a payment of \$5,000 for each year of service.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Government Health Benefits Program.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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 2010, the District contracted with Ohio Casualty for all insurance. Buildings are 100% co-insured. A summary of coverages provided are as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings, Contents and Boiler	\$22,906,100	\$ 5,000
Automobile Liability	1,000,000	-
Uninsured Motorists	50,000	-
General Liability:		
Per Occurrence	1,000,000	-
Aggregate	2,000,000	-
Excess Liability	5,000,000	-

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

B. Employee Health, Dental and Vision

The District has contracted with the Stark County Schools Council of Government (Council) Health Benefits Program to provide employee medical/surgical, dental and vision benefits. The Council's Health Benefits Program is a shared risk pool comprised of 70 member school districts, educational service centers and related agencies. Rates are set through an annual calculation process. The District pays a monthly contribution, which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The Board of Directors has the right to return monies to an exiting District subsequent to the settlements of all expenses and claims. The District pays 90% of the premium for medical and dental coverage and 100% of the premium for vision coverage. Employees pay the remaining 10% of the premium for medical and dental coverage. The following amounts were paid by the District in fiscal year 2010:

	<u>Family</u>	<u>Single</u>
Medical	\$1,136.52	\$467.85
Dental	146.55	59.40
Vision	31.11	12.52

C. Workers' Compensation

The District also participates in a program within the Council to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience rating of each of the participating districts is calculated as one experience rate and applied to all participants in the program. Premiums paid to the State are based on this calculation. Total savings are then determined and each participant's performance is compared to the overall savings percentage of the program. The districts will then either receive money back or be required to contribute additional money to the program. This process insures that each participant pays an equitable share of the cost.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$103,835, \$69,691 and \$65,156, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - PENSION PLANS - (Continued)

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

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$449,858, \$443,640 and \$441,850, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$5,834 made by the Plan members and \$8,168 made by the District.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$14,734, \$45,961 and \$43,178, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,175, \$5,750 and \$4,695, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$34,604, \$34,126 and \$33,988, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - 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 revenues, 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an accounts 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 cost (budget basis) as opposed to fair value (GAAP 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 are as follows:

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ 169,442
Net adjustment for revenue accruals	(166,751)
Net adjustment for expenditure accruals	(142,958)
Net adjustment for other sources/uses	(2,575)
Adjustment for encumbrances	<u>250,141</u>
GAAP basis	<u>\$ 107,299</u>

NOTE 15 - 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 at June 30, 2010.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - CONTINGENCIES - (Continued)

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2009	\$ (1,664,018)	\$ -
Current year set-aside requirement	99,161	99,161
Qualifying disbursements	<u>(326,054)</u>	<u>(275,420)</u>
Total	<u>\$ (1,890,911)</u>	<u>\$ (176,259)</u>
Balance carried forward to fiscal year 2011	<u>\$ (1,890,911)</u>	<u>\$ -</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbook/instructional materials reserve. This extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

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



Dave Yost • Auditor of State

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

Stark County Area Vocational School District
Stark County
2800 Richville Drive SE
Massillon, Ohio 44646

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We intend this report solely for the information and use of management and the Board of Education and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

January 21, 2011



Dave Yost • Auditor of State

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 1, 2011