



**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2012**



**Dave Yost • Auditor of State**



**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Independent Accountants' Report.....   | 1           |
| General Purpose External Financial Statements:   |             |
| Management's Discussion and Analysis.....  | 3           |
| Basic Financial Statements:  |             |
| Government-Wide Financial Statements:  |             |
| Statement of Net Assets.....   | 11          |
| Statement of Activities.....   | 12          |
| Fund Financial Statements:   |             |
| Balance Sheet – Governmental Funds.....  | 14          |
| Reconciliation of Total Governmental Fund Balances to<br>Net Assets of Governmental Activities.....  | 15          |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances – Governmental Funds.....   | 16          |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in<br>Fund Balances of Governmental Funds to Statement of Activities.....   | 17          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance –<br>Budget (Non-GAAP Basis) and Actual – General Fund.....   | 18          |
| Statement of Fund Net Assets – Enterprise Funds.....   | 19          |
| Statement of Revenues, Expenses, and Changes in Fund<br>Net Assets – Enterprise Funds.....   | 20          |
| Statement of Cash Flows – Enterprise Funds.....  | 21          |
| Statement of Fiduciary Net Assets – Fiduciary Funds.....   | 23          |
| Statement of Change in Fiduciary Net Assets – Private Purpose Trust Fund.....  | 24          |
| Notes to the Basic Financial Statements.....   | 25          |
| Federal Awards Receipts and Expenditures Schedule.....   | 51          |
| Notes to the Federal Awards Receipts and Expenditures Schedule.....  | 52          |
| Independent Accountants' Report on Internal Control Over Financial<br>Reporting and on Compliance and Other Matters Required by<br><i>Government Auditing Standards</i> .....              | 53          |
| Independent Accountants' Report on Compliance With Requirements<br>Applicable to Each Major Federal Program and on Internal Control Over<br>Compliance Required by OMB Circular A-133..... | 55          |
| Schedule of Findings and Questioned Costs.....   | 57          |
| Schedule of Prior Audit Findings and Questioned Costs.....   | 61          |

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Tri-Rivers Joint Vocational School District  
Marion County  
2222 Marion-Mt. Gilead Road  
Marion, Ohio 43302

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tri-Rivers Joint Vocational School District, Marion County, Ohio (the District), as of and for the year ended June 30, 2012, 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 business-type activities, each major fund, and the aggregate remaining fund information of Tri-Rivers Joint Vocational School District, Marion County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, 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 March 27, 2013, 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 27, 2013

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

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

**Highlights**

Highlights for fiscal year 2012 are as follows:

Net assets for governmental activities decreased \$415,461 from the prior fiscal year, or 4 percent. Revenues decreased slightly (2 percent); however, expenses increased over 10 percent. Net assets for business-type activities decreased \$190,937, or 33 percent, as expenses increased for all business-type activity program.

General revenues were \$8,347,053 or 74 percent of all governmental activities revenues. This reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

For business-type activities, 97 percent of total revenues were generated by the programs, most of which was in the form of charges for services.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Tri-Rivers Joint Vocational School District as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in a single column. For Tri-Rivers Joint Vocational School District, the General Fund and the Adult Education enterprise fund are the most significant funds.

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

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These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School 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 School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Adult Education, Food Service, and Rotary (vocational programs) funds are reported as business-type activities.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Adult Education enterprise fund.

Governmental Funds - The School District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The School District's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's operations.

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

Enterprise Funds - Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.



**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2012 and fiscal year 2011:

Table 1  
Net Assets

|  | Governmental<br>Activities |                    | Business-Type<br>Activities |                  | Total              |                     |
|--|----------------------------|--------------------|-----------------------------|------------------|--------------------|---------------------|
|  | 2012                       | 2011               | 2012                        | 2011             | 2012               | 2011                |
| <u>Assets</u>                                      |                            |                    |                             |                  |                    |                     |
| Current and Other Assets                           | \$8,037,741                | \$8,002,596        | \$168,189                   | \$286,636        | \$8,205,930        | \$8,289,232         |
| Capital Assets, Net                                | 5,784,029                  | 5,695,242          | 408,945                     | 442,156          | 6,192,974          | 6,137,398           |
| Total Assets                                       | <u>13,821,770</u>          | <u>13,697,838</u>  | <u>577,134</u>              | <u>728,792</u>   | <u>14,398,904</u>  | <u>14,426,630</u>   |
| <u>Liabilities</u>                                 |                            |                    |                             |                  |                    |                     |
| Current and Other Liabilities                      | 3,713,637                  | 3,357,930          | 150,112                     | 107,034          | 3,863,749          | 3,464,964           |
| Long-Term Liabilities                              | 582,983                    | 399,297            | 32,695                      | 36,494           | 615,678            | 435,791             |
| Total Liabilities                                  | <u>4,296,620</u>           | <u>3,757,227</u>   | <u>182,807</u>              | <u>143,528</u>   | <u>4,479,427</u>   | <u>3,900,755</u>    |
| <u>Net Assets</u>                                  |                            |                    |                             |                  |                    |                     |
| Invested in Capital Assets,<br>Net of Related Debt | 5,517,587                  | 5,595,244          | 387,487                     | 415,001          | 5,905,074          | 6,010,245           |
| Restricted   | 43,138                     | 45,447             | 0                           | 0                | 43,138             | 45,447              |
| Unrestricted                                       | 3,964,425                  | 4,299,920          | 6,840                       | 170,263          | 3,971,265          | 4,470,183           |
| Total Net Assets                                   | <u>\$9,525,150</u>         | <u>\$9,940,611</u> | <u>\$394,327</u>            | <u>\$585,264</u> | <u>\$9,919,477</u> | <u>\$10,525,875</u> |

Overall, net assets for governmental activities decreased 4 percent in fiscal year 2012. As noted in the above table, this decrease is generally due to an increase in current and other liabilities. There was an increase in both accounts and contracts payable as of fiscal year end; accounts payable due to a data coverage bill for student netbooks (timing of payment) and contracts payable for architectural fees for the design of a building addition and for some building renovations. The increase in these liabilities is also reflected in the decrease in unrestricted net assets. The increase in long-term liabilities is the result of additional capital lease obligations entered into during the fiscal year.

The most significant change for business-type activities was the decrease in current and other assets and the corresponding decrease in unrestricted net assets. This decrease is generally due to a decrease in cash and cash equivalents as expenses increased for all business-type programs and a decrease in resources due to the Adult Education program from Job and Family Services. In addition, there was a decrease in net capital assets and invested in capital assets due to the expiration of a capital lease.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011.

Table 2  
Change in Net Assets

|  | Governmental<br>Activities |             | Business-Type<br>Activities |             | Total       |              |
|--|----------------------------|-------------|-----------------------------|-------------|-------------|--------------|
|  | 2012                       | 2011        | 2012                        | 2011        | 2012        | 2011         |
| <u>Revenues</u>  |                            |             |                             |             |             |              |
| Program Revenues   |                            |             |                             |             |             |              |
| Charges for Services   | \$31,273                   | \$24,852    | \$1,599,787                 | \$1,624,198 | \$1,631,060 | \$1,649,050  |
| Operating Grants, Contributions,<br>and Interest               | 2,837,590                  | 2,844,548   | 326,681                     | 300,736     | 3,164,271   | 3,145,284    |
| Total Program Revenues   | 2,868,863                  | 2,869,400   | 1,926,468                   | 1,924,934   | 4,795,331   | 4,794,334    |
| General Revenues   |                            |             |                             |             |             |              |
| Property Taxes   | 3,768,571                  | 3,756,255   | 0                           | 0           | 3,768,571   | 3,756,255    |
| Payment in Lieu of Taxes                                       | 9,490                      | 9,490       | 0                           | 0           | 9,490       | 9,490        |
| Grants and Entitlements not<br>Restricted to Specific Programs | 4,355,723                  | 4,712,211   | 0                           | 0           | 4,355,723   | 4,712,211    |
| Interest   | 3,394                      | 4,439       | 0                           | 0           | 3,394       | 4,439        |
| Gifts and Donations  | 250                        | 0           | 0                           | 0           | 250         | 0            |
| Other  | 209,625                    | 131,086     | 56,710                      | 91,747      | 266,335     | 222,833      |
| Total General Revenues   | 8,347,053                  | 8,613,481   | 56,710                      | 91,747      | 8,403,763   | 8,705,228    |
| Total Revenues   | 11,215,916                 | 11,482,881  | 1,983,178                   | 2,016,681   | 13,199,094  | 13,499,562   |
| <u>Expenses</u>  |                            |             |                             |             |             |              |
| Instruction:   |                            |             |                             |             |             |              |
| Regular  | 267,668                    | 295,077     | 0                           | 0           | 267,668     | 295,077      |
| Vocational   | 6,324,356                  | 5,804,959   | 0                           | 0           | 6,324,356   | 5,804,959    |
| Adult/Continuing   | 153,084                    | 65,339      | 0                           | 0           | 153,084     | 65,339       |
| Support Services:  |                            |             |                             |             |             |              |
| Pupils   | 620,076                    | 709,526     | 0                           | 0           | 620,076     | 709,526      |
| Instructional Staff  | 393,966                    | 483,318     | 0                           | 0           | 393,966     | 483,318      |
| Board of Education   | 118,788                    | 91,285      | 0                           | 0           | 118,788     | 91,285       |
| Administration   | 1,023,839                  | 836,512     | 0                           | 0           | 1,023,839   | 836,512      |
| Fiscal   | 421,368                    | 380,820     | 0                           | 0           | 421,368     | 380,820      |
| Business   | 174,235                    | 217,298     | 0                           | 0           | 174,235     | 217,298      |
| Operation of Maintenance of Plant                              | 988,484                    | 920,233     | 0                           | 0           | 988,484     | 920,233      |
| Pupil Transportation   | 13,247                     | 15,319      | 0                           | 0           | 13,247      | 15,319       |
| Central  | 1,081,251                  | 680,927     | 0                           | 0           | 1,081,251   | 680,927      |
| Non-Instructional Services                                     | 1,108                      | 766         | 0                           | 0           | 1,108       | 766          |
| Extracurricular Activities                                     | 33,603                     | 26,007      | 0                           | 0           | 33,603      | 26,007       |
| Interest and Fiscal Charges                                    | 29,239                     | 3,710       | 0                           | 0           | 29,239      | 3,710        |
| Adult Education  | 0                          | 0           | 1,628,349                   | 1,548,051   | 1,628,349   | 1,548,051    |
| Food Service   | 0                          | 0           | 316,852                     | 251,277     | 316,852     | 251,277      |
| Rotary   | 0                          | 0           | 215,979                     | 204,651     | 215,979     | 204,651      |
| Total Expenses   | 11,644,312                 | 10,531,096  | 2,161,180                   | 2,003,979   | 13,805,492  | 12,535,075   |
| Increase (Decrease) in Net Assets<br>Before Transfers          | (428,396)                  | 951,785     | (178,002)                   | 12,702      | (606,398)   | 964,487      |
| Transfers  | 12,935                     | (156,182)   | (12,935)                    | 156,182     | 0           | 0            |
| Increase (Decrease) in Net Assets                              | (415,461)                  | 795,603     | (190,937)                   | 168,884     | (606,398)   | 964,487      |
| Net Assets at Beginning of Year                                | 9,940,611                  | 9,145,008   | 585,264                     | 416,380     | 10,525,875  | 9,561,388    |
| Net Assets at End of Year                                      | \$9,525,150                | \$9,940,611 | \$394,327                   | \$585,264   | \$9,919,477 | \$10,525,875 |

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

For governmental activities, total revenues decreased 2 percent from the prior fiscal year, both program revenues and general revenues were similar to fiscal year 2011.

Total expenses for governmental activities increased over 10 percent from the prior fiscal year. The largest increases are reflected in the vocational instruction, adult/continuing instruction, administration, and central support programs. The School District made some non-capitalized renovations to instructional rooms throughout the building during the fiscal year, leading to an increase of over \$500,000 in the vocational instruction program. The increase of over \$87,000 in adult/continuing instruction can be attributed to expenses related to a reimbursable grant received from the State Board of Nursing for fiscal year 2012. Administrative expenses increased over \$187,000 as a result of increased salaries and benefits due to changes in the VEPD grant allocations and reclassifying contracted secretarial services from the instructional staff support program. The central support program increased \$400,000 from new capital leases, wireless data services, and an increase in contracted technology support. The major program expense for governmental activities will always be for instruction, which was 58 percent of all governmental expenses. Other programs which support the instruction process, including pupils and instructional staff, were 9 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, 8 percent.

For business-type activities, revenues remained fairly similar to the prior fiscal year; however, expenses increased almost 8 percent with an increase in all business-type programs.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3  
Governmental Activities

|                                    | Total Cost of Services |                     | Net Cost of Services |                    |
|------------------------------------|------------------------|---------------------|----------------------|--------------------|
|                                    | 2012                   | 2011                | 2012                 | 2011               |
| Instruction:                       |                        |                     |                      |                    |
| Regular                            | \$267,668              | \$295,077           | \$267,668            | \$295,077          |
| Special                            | 0                      | 0                   | (595,477)            | (595,477)          |
| Vocational                         | 6,324,356              | 5,804,959           | 4,174,634            | 3,570,431          |
| Adult/Continuing                   | 153,084                | 65,339              | 32,420               | 40,339             |
| Support Services:                  |                        |                     |                      |                    |
| Pupils                             | 620,076                | 709,526             | 617,076              | 695,131            |
| Instructional Staff                | 393,966                | 483,318             | 393,966              | 483,318            |
| Board of Education                 | 118,788                | 91,285              | 118,788              | 91,285             |
| Administration                     | 1,023,839              | 836,512             | 1,023,839            | 836,512            |
| Fiscal                             | 421,368                | 380,820             | 421,368              | 380,820            |
| Business                           | 174,235                | 217,298             | 174,235              | 217,298            |
| Operation and Maintenance of Plant | 988,484                | 920,233             | 988,484              | 920,233            |
| Pupil Transportation               | 13,247                 | 15,319              | 13,247               | 15,319             |
| Central                            | 1,081,251              | 680,927             | 1,081,251            | 680,927            |
| Non-Instructional Services         | 1,108                  | 766                 | 1,108                | 766                |
| Extracurricular Activities         | 33,603                 | 26,007              | 33,603               | 26,007             |
| Interest and Fiscal Charges        | 29,239                 | 3,710               | 29,239               | 3,710              |
| <b>Total Expenses</b>              | <b>\$11,644,312</b>    | <b>\$10,531,096</b> | <b>\$8,775,449</b>   | <b>\$7,661,696</b> |

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

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A review of the above table illustrates that a significant portion of program costs (approximately 75 percent for fiscal year 2012 and 73 percent for fiscal year 2011) were provided for through general revenues (property taxes and unrestricted state entitlements). Note, however, that the special instruction program received program revenues in excess of program costs due to the receipt of State foundation monies. Program revenues provided for over 34 percent of the costs of the vocational instruction program through operating grants and contributions restricted for such purposes.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's only major governmental fund is the General Fund, which had an 8 percent decrease in fund balance. Revenues were very similar to the prior fiscal year; however, there was an increase in expenditures of over 13 percent primarily in the central support program due to technology related expenditures and for non-capitalized renovations (capital outlay).

The School District's enterprise funds are accounted for using the accrual basis of accounting. The only major enterprise fund is the Adult Education fund. This fund had a decrease of 28 percent in net assets. Revenues decreased slightly and expenses increased slightly.

**General Fund Budgeting Highlights**

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

During fiscal year 2012, the School District amended its General Fund budget as needed. For revenues, there was no change from the original to final budget and changes from the final budget to actual revenues received were not significant. For expenditures, changes from the original budget to the final budget as well as from the final budget to actual expenditures were minimal.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2012, the School District had \$5,784,029 invested in capital assets (net of accumulated depreciation) for governmental activities. Additions include equipment purchases and vehicles. Disposals were minimal.

The business-type activities had \$408,945 invested in capital assets (net of accumulated depreciation). There were no additions and disposals were minimal.

For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

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Debt

At June 30, 2012, the School District had an outstanding school facilities loan, in the amount of \$22,016, (the proceeds of which were used to construct a science wing) and capital leases, in the amount of \$244,426, for governmental activities.

Business-type activities had an outstanding capital lease, in the amount of \$21,458.

In addition to the debt outlined above, the School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 15 and 16 to the basic financial statements.

**Current Issues**

Tri-Rivers Joint Vocational School District is in a primarily residential/farming area of the State covering Crawford, Delaware, Hardin, Marion, Morrow, Union, and Wyandot counties.

In June 1978, the School District passed a 2.1 mill continuing levy that generates approximately \$1.8 million. In November 2011, the School District renewed a 1.3 mill five-year operating levy that generates approximately \$1,350,000 annually.

Challenges for the School District include ever increasing costs of health care. In January 2010, the School District converted from a fully self-insured health plan for medical and prescription drug coverage to a public entity shared risk pool. Participation in the shared risk pool has been financially beneficial to date.

State foundation monies continue to be uncertain as well as student enrollment. The School District strives to reduce costs at every possible opportunity as well as reviewing current and new programs to increase student enrollment.

The Board of Education and the teachers union negotiated a new three-year contract in the spring of 2010. The contract covers fiscal years 2011 through 2013. Salary increases are 2.5 percent, 2 percent, and 2 percent, respectfully.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Steve Earnest, Treasurer, Tri-Rivers Joint Vocational School District, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

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**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

|   | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|---|----------------------------|-----------------------------|---------------------|
| <u>Assets:</u>                                  |                            |                             |                     |
| Equity in Pooled Cash and Cash Equivalents      | \$ 3,684,734               | \$ 145,511                  | \$ 3,830,245        |
| Accounts Receivable                             | 35,591                     | 1,217                       | 36,808              |
| Intergovernmental Receivable                    | 19,438                     | 19,608                      | 39,046              |
| Inventory Held for Resale                       | -                          | 1,265                       | 1,265               |
| Materials and Supplies Inventory                | 54,909                     | 588                         | 55,497              |
| Property Taxes Receivable                       | 4,233,579                  | -                           | 4,233,579           |
| Payment in Lieu of Taxes Receivable             | 9,490                      | -                           | 9,490               |
| Nondepreciable Capital Assets                   | 271,345                    | -                           | 271,345             |
| Depreciable Capital Assets, Net                 | 5,512,684                  | 408,945                     | 5,921,629           |
| Total Assets                                    | <u>13,821,770</u>          | <u>577,134</u>              | <u>14,398,904</u>   |
| <u>Liabilities:</u>                             |                            |                             |                     |
| Accounts Payable                                | 233,699                    | 28,389                      | 262,088             |
| Contracts Payable                               | 63,443                     | -                           | 63,443              |
| Accrued Wages and Benefits Payable              | 661,900                    | 86,291                      | 748,191             |
| Matured Compensated Absences Payable            | 52,496                     | -                           | 52,496              |
| Intergovernmental Payable                       | 143,428                    | 35,432                      | 178,860             |
| Deferred Revenue                                | 2,558,671                  | -                           | 2,558,671           |
| Long-Term Liabilities:                          |                            |                             |                     |
| Due Within One Year                             | 109,970                    | 6,945                       | 116,915             |
| Due in More Than One Year                       | 473,013                    | 25,750                      | 498,763             |
| Total Liabilities                               | <u>4,296,620</u>           | <u>182,807</u>              | <u>4,479,427</u>    |
| <u>Net Assets:</u>                              |                            |                             |                     |
| Invested in Capital Assets, Net of Related Debt | 5,517,587                  | 387,487                     | 5,905,074           |
| Restricted For:                                 |                            |                             |                     |
| Other Purposes                                  | 43,138                     | -                           | 43,138              |
| Unrestricted                                    | 3,964,425                  | 6,840                       | 3,971,265           |
| Total Net Assets                                | <u>\$ 9,525,150</u>        | <u>\$ 394,327</u>           | <u>\$ 9,919,477</u> |

See Accompanying Notes to Basic Financial Statements

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                    | Program Revenues     |                         |   |
|------------------------------------|----------------------|-------------------------|---|
|                                    | Expenses             | Charges for<br>Services | Operating Grants,<br>Contributions, and<br>Interest |
| <u>Governmental Activities:</u>    |                      |                         |   |
| Instruction:                       |                      |                         |   |
| Regular                            | \$ 267,668           | \$ -                    | \$ -  |
| Special                            | -                    | -                       | 595,477   |
| Vocational                         | 6,324,356            | 31,273                  | 2,118,449   |
| Adult/Continuing                   | 153,084              | -                       | 120,664   |
| Support Services:                  |                      |                         |   |
| Pupils                             | 620,076              | -                       | 3,000   |
| Instructional Staff                | 393,966              | -                       | -   |
| Board of Education                 | 118,788              | -                       | -   |
| Administration                     | 1,023,839            | -                       | -   |
| Fiscal                             | 421,368              | -                       | -   |
| Business                           | 174,235              | -                       | -   |
| Operation and Maintenance of Plant | 988,484              | -                       | -   |
| Pupil Transportation               | 13,247               | -                       | -   |
| Central                            | 1,081,251            | -                       | -   |
| Non-Instructional Services         | 1,108                | -                       | -   |
| Extracurricular Activities         | 33,603               | -                       | -   |
| Interest and Fiscal Charges        | 29,239               | -                       | -   |
| Total Governmental Activities      | <u>11,644,312</u>    | <u>31,273</u>           | <u>2,837,590</u>                                    |
| <u>Business-Type Activities:</u>   |                      |                         |   |
| Adult Education                    | <u>1,628,349</u>     | <u>1,320,811</u>        | <u>156,021</u>                                      |
| Other Enterprise Funds             |                      |                         |   |
| Food Service                       | 316,852              | 118,036                 | 153,432   |
| Rotary                             | 215,979              | 160,940                 | 17,228  |
| Total Other Enterprise Funds       | <u>532,831</u>       | <u>278,976</u>          | <u>170,660</u>                                      |
| Total Business-Type Activities     | <u>2,161,180</u>     | <u>1,599,787</u>        | <u>326,681</u>                                      |
| Total                              | <u>\$ 13,805,492</u> | <u>\$ 1,631,060</u>     | <u>\$ 3,164,271</u>                                 |

General Revenues:

Property Taxes Levied for General Purposes  
 Payment in Lieu of Taxes  
 Grants and Entitlements not Restricted to Specific Programs  
 Interest  
 Gifts and Donations  
 Other  
 Total General Revenues

Transfers  
 Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year  
 Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements



Net (Expense) Revenue  
and Change in Net Assets

| Governmental<br>Activities | Business-Type<br>Activities | Total               |
|----------------------------|-----------------------------|---------------------|
| \$ (267,668)               | \$ -                        | \$ (267,668)        |
| 595,477                    | -                           | 595,477             |
| (4,174,634)                | -                           | (4,174,634)         |
| (32,420)                   | -                           | (32,420)            |
| (617,076)                  | -                           | (617,076)           |
| (393,966)                  | -                           | (393,966)           |
| (118,788)                  | -                           | (118,788)           |
| (1,023,839)                | -                           | (1,023,839)         |
| (421,368)                  | -                           | (421,368)           |
| (174,235)                  | -                           | (174,235)           |
| (988,484)                  | -                           | (988,484)           |
| (13,247)                   | -                           | (13,247)            |
| (1,081,251)                | -                           | (1,081,251)         |
| (1,108)                    | -                           | (1,108)             |
| (33,603)                   | -                           | (33,603)            |
| (29,239)                   | -                           | (29,239)            |
| <u>(8,775,449)</u>         | <u>-</u>                    | <u>(8,775,449)</u>  |
| -                          | (151,517)                   | (151,517)           |
| -                          | (45,384)                    | (45,384)            |
| -                          | (37,811)                    | (37,811)            |
| -                          | (83,195)                    | (83,195)            |
| -                          | (234,712)                   | (234,712)           |
| <u>(8,775,449)</u>         | <u>(234,712)</u>            | <u>(9,010,161)</u>  |
| 3,768,571                  | -                           | 3,768,571           |
| 9,490                      | -                           | 9,490               |
| 4,355,723                  | -                           | 4,355,723           |
| 3,394                      | -                           | 3,394               |
| 250                        | -                           | 250                 |
| 209,625                    | 56,710                      | 266,335             |
| <u>8,347,053</u>           | <u>56,710</u>               | <u>8,403,763</u>    |
| 12,935                     | (12,935)                    | -                   |
| <u>8,359,988</u>           | <u>43,775</u>               | <u>8,403,763</u>    |
| (415,461)                  | (190,937)                   | (606,398)           |
| 9,940,611                  | 585,264                     | 10,525,875          |
| <u>\$ 9,525,150</u>        | <u>\$ 394,327</u>           | <u>\$ 9,919,477</u> |

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

|  | General      | Other<br>Governmental | Total<br>Governmental<br>Funds |
|--|--------------|-----------------------|--------------------------------|
| <u>Assets:</u>                             |              |                       |                                |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,575,760 | \$ 108,974            | \$ 3,684,734                   |
| Accounts Receivable                        | 35,591       | -                     | 35,591                         |
| Intergovernmental Receivable               | 244          | 19,194                | 19,438                         |
| Interfund Receivable                       | 85,139       | -                     | 85,139                         |
| Materials and Supplies Inventory           | 54,909       | -                     | 54,909                         |
| Property Taxes Receivable                  | 4,233,579    | -                     | 4,233,579                      |
| Payment in Lieu of Taxes Receivable        | 9,490        | -                     | 9,490                          |
| Total Assets                               | 7,994,712    | 128,168               | 8,122,880                      |
| <br><u>Liabilities and Fund Balances:</u>  |              |                       |                                |
| <u>Liabilities</u>                         |              |                       |                                |
| Accounts Payable                           | 231,264      | 2,435                 | 233,699                        |
| Contracts Payable                          | 63,443       | -                     | 63,443                         |
| Accrued Wages and Benefits Payable         | 661,900      | -                     | 661,900                        |
| Matured Compensated Absences Payable       | 52,496       | -                     | 52,496                         |
| Intergovernmental Payable                  | 142,852      | 576                   | 143,428                        |
| Interfund Payable                          | -            | 85,139                | 85,139                         |
| Deferred Revenue                           | 3,103,038    | 12,158                | 3,115,196                      |
| Total Liabilities                          | 4,254,993    | 100,308               | 4,355,301                      |
| <br><u>Fund Balances:</u>                  |              |                       |                                |
| Nonspendable                               | 54,909       | -                     | 54,909                         |
| Restricted                                 | -            | 30,980                | 30,980                         |
| Assigned                                   | 159,268      | -                     | 159,268                        |
| Unassigned (Deficit)                       | 3,525,542    | (3,120)               | 3,522,422                      |
| Total Fund Balances                        | 3,739,719    | 27,860                | 3,767,579                      |
| Total Liabilities and Fund Balances        | \$ 7,994,712 | \$ 128,168            | \$ 8,122,880                   |

See Accompanying Notes to the Basic Financial Statements

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012**

|  |                  |                     |
|--|------------------|---------------------|
| Total Governmental Fund Balances   |                  | \$ 3,767,579        |
| Amounts reported for governmental activities on the statement of net assets are different because of the following:        |                  |                     |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  |                  |                     |
|  |                  | 5,784,029           |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: |                  |                     |
| Accounts Receivable  | 200              |                     |
| Intergovernmental Receivable   | 12,402           |                     |
| Property Taxes Receivable  | <u>543,923</u>   |                     |
|  |                  | 556,525             |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:              |                  |                     |
| School Facilities Loan Payable   | (22,016)         |                     |
| Compensated Absences Payable   | (316,541)        |                     |
| Capital Leases Payable   | <u>(244,426)</u> |                     |
|  |                  | <u>(582,983)</u>    |
| Net Assets of Governmental Activities  |                  | <u>\$ 9,525,150</u> |

See Accompanying Notes to the Basic Financial Statements

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|  | General      | Other<br>Governmental | Total<br>Governmental<br>Funds |
|--|--------------|-----------------------|--------------------------------|
| <u>Revenues:</u>                         |              |                       |                                |
| Property Taxes                           | \$ 3,736,649 | \$ -                  | \$ 3,736,649                   |
| Payment in Lieu of Taxes                 | 9,490        | -                     | 9,490                          |
| Intergovernmental                        | 6,568,406    | 597,555               | 7,165,961                      |
| Interest                                 | 3,394        | 2                     | 3,396                          |
| Tuition and Fees                         | 1,810        | -                     | 1,810                          |
| Rent                                     | 31,177       | -                     | 31,177                         |
| Gifts and Donations                      | 250          | 1,000                 | 1,250                          |
| Other                                    | 215,201      | 23,000                | 238,201                        |
| Total Revenues                           | 10,566,377   | 621,557               | 11,187,934                     |
| <u>Expenditures:</u>                     |              |                       |                                |
| Current:                                 |              |                       |                                |
| Instruction:                             |              |                       |                                |
| Regular                                  | 265,246      | -                     | 265,246                        |
| Vocational                               | 5,392,806    | 171,030               | 5,563,836                      |
| Adult/Continuing                         | -            | 153,084               | 153,084                        |
| Support Services:                        |              |                       |                                |
| Pupils                                   | 459,013      | 161,997               | 621,010                        |
| Instructional Staff                      | 300,634      | 82,900                | 383,534                        |
| Board of Education                       | 118,788      | -                     | 118,788                        |
| Administration                           | 992,920      | 15,832                | 1,008,752                      |
| Fiscal                                   | 404,696      | -                     | 404,696                        |
| Business                                 | 169,523      | -                     | 169,523                        |
| Operation and Maintenance of Plant       | 1,008,332    | -                     | 1,008,332                      |
| Pupil Transportation                     | 7,744        | -                     | 7,744                          |
| Central                                  | 1,125,702    | 44,060                | 1,169,762                      |
| Non-Instructional Services               | 1,108        | -                     | 1,108                          |
| Extracurricular Activities               | 33,603       | -                     | 33,603                         |
| Capital Outlay                           | 809,201      | -                     | 809,201                        |
| Debt Service:                            |              |                       |                                |
| Principal Retirement                     | 41,914       | 22,021                | 63,935                         |
| Interest and Fiscal Charges              | 29,239       | -                     | 29,239                         |
| Total Expenditures                       | 11,160,469   | 650,924               | 11,811,393                     |
| Excess of Revenues<br>Under Expenditures | (594,092)    | (29,367)              | (623,459)                      |
| <u>Other Financing Sources (Uses):</u>   |              |                       |                                |
| Inception of Capital Lease               | 261,980      | -                     | 261,980                        |
| Transfers In                             | 106,194      | 22,021                | 128,215                        |
| Transfers Out                            | (115,280)    | -                     | (115,280)                      |
| Total Other Financing Sources (Uses)     | 252,894      | 22,021                | 274,915                        |
| Changes in Fund Balances                 | (341,198)    | (7,346)               | (348,544)                      |
| Fund Balances at Beginning of Year       | 4,080,917    | 35,206                | 4,116,123                      |
| Fund Balances at End of Year             | \$ 3,739,719 | \$ 27,860             | \$ 3,767,579                   |

See Accompanying Notes to the Basic Financial Statements

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Changes in Fund Balances - Total Governmental Funds \$ (348,544)

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

Governmental funds report capital outlays as expenditures.

However, on 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 capital outlay exceeded depreciation in the current fiscal year:

|                |                  |         |
|----------------|------------------|---------|
| Capital Outlay | 435,336          |         |
| Depreciation   | <u>(320,262)</u> | 115,074 |

The cost of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (26,287)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

|                   |                |        |
|-------------------|----------------|--------|
| Property Taxes    | 31,922         |        |
| Intergovernmental | 3,350          |        |
| Tuition and Fees  | (1,071)        |        |
| Rent              | (643)          |        |
| Other             | <u>(5,576)</u> | 27,982 |

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.

|                        |               |        |
|------------------------|---------------|--------|
| School Facilities Loan | 22,021        |        |
| Capital Leases         | <u>41,914</u> | 63,935 |

The termination of a capital lease is not reflected in the governmental funds but the termination reduces long-term liabilities on the statement of net assets. 31,601

The inception of a capital lease is reported as an other financing source in governmental funds but increases long-term liabilities on the statement of net assets. (261,980)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (17,242)

Change in Net Assets of Governmental Activities \$ (415,461)

See Accompanying Notes to the Basic Financial Statements

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|   | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget<br>Over<br>(Under) |
|---|---------------------|---------------------|---------------------|--|
|   | Original            | Final               |                     | (Under)  |
| <u>Revenues:</u>                            |                     |                     |                     |  |
| Property Taxes                              | \$ 3,521,937        | \$ 3,521,937        | \$ 3,735,515        | \$ 213,578                                       |
| Payment in Lieu of Taxes                    | 12,570              | 12,570              | 9,490               | (3,080)  |
| Intergovernmental                           | 7,028,693           | 7,028,693           | 6,568,406           | (460,287)  |
| Interest                                    | 4,500               | 4,500               | 3,394               | (1,106)  |
| Tuition and Fees                            | -                   | -                   | 1,810               | 1,810  |
| Rent  | 22,000              | 22,000              | 30,375              | 8,375  |
| Gifts and Donations                         | 1,000               | 1,000               | 250                 | (750)  |
| Other                                       | 76,650              | 76,650              | 159,312             | 82,662   |
| <b>Total Revenues</b>                       | <b>10,667,350</b>   | <b>10,667,350</b>   | <b>10,508,552</b>   | <b>(158,798)</b>                                 |
| <u>Expenditures:</u>                        |                     |                     |                     |  |
| Current:                                    |                     |                     |                     |  |
| Instruction:                                |                     |                     |                     |  |
| Regular                                     | 296,444             | 275,765             | 267,701             | 8,064  |
| Vocational                                  | 5,809,019           | 5,386,839           | 5,358,046           | 28,793   |
| Support Services:                           |                     |                     |                     |  |
| Pupils                                      | 599,446             | 560,196             | 449,564             | 110,632  |
| Instructional Staff                         | 320,472             | 320,933             | 314,540             | 6,393  |
| Board of Education                          | 123,257             | 136,323             | 136,323             | -  |
| Administration                              | 980,790             | 1,003,280           | 1,002,715           | 565  |
| Fiscal                                      | 413,180             | 404,795             | 404,795             | -  |
| Business                                    | 226,463             | 202,544             | 191,906             | 10,638   |
| Operation and Maintenance of Plant          | 1,147,310           | 1,037,377           | 1,029,244           | 8,133  |
| Pupil Transportation                        | 8,256               | 7,989               | 7,989               | -  |
| Central                                     | 784,934             | 923,337             | 923,337             | -  |
| Non-Instructional Services                  | 883                 | 1,108               | 1,108               | -  |
| Extracurricular Activities                  | 34,680              | 34,680              | 33,603              | 1,077  |
| Capital Outlay                              | 363,684             | 873,826             | 1,014,494           | (140,668)  |
| <b>Total Expenditures</b>                   | <b>11,108,818</b>   | <b>11,168,992</b>   | <b>11,135,365</b>   | <b>33,627</b>                                    |
| Excess of Revenues<br>Under Expenditures    | (441,468)           | (501,642)           | (626,813)           | (125,171)  |
| <u>Other Financing Sources (Uses):</u>      |                     |                     |                     |  |
| Refund of Prior Year Expenditures           | 17,500              | 17,500              | 21,455              | 3,955  |
| Refund of Prior Year Receipts               | (500)               | (500)               | -                   | 500  |
| Advances In                                 | 6,500               | 6,500               | 6,500               | -  |
| Advances Out                                | (6,500)             | (6,500)             | (82,182)            | (75,682)   |
| Transfers In                                | 4,500               | 4,500               | 106,194             | 101,694  |
| Transfers Out                               | (127,838)           | (67,838)            | (115,280)           | (47,442)   |
| <b>Total Other Financing Sources (Uses)</b> | <b>(106,338)</b>    | <b>(46,338)</b>     | <b>(63,313)</b>     | <b>(16,975)</b>                                  |
| Changes in Fund Balance                     | (547,806)           | (547,980)           | (690,126)           | (142,146)  |
| Fund Balance at Beginning of Year           | 3,575,503           | 3,575,503           | 3,575,503           | -  |
| Prior Year Encumbrances Appropriated        | 239,708             | 239,708             | 239,708             | -  |
| <b>Fund Balance at End of Year</b>          | <b>\$ 3,267,405</b> | <b>\$ 3,267,231</b> | <b>\$ 3,125,085</b> | <b>\$ (142,146)</b>                              |

See Accompanying Notes to the Basic Financial Statements

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF FUND NET ASSETS  
ENTERPRISE FUNDS  
JUNE 30, 2012**

|   | Adult<br>Education | Other<br>Enterprise | Total<br>Enterprise<br>Funds |
|---|--------------------|---------------------|------------------------------|
| <u>Assets:</u>                                  |                    |                     |                              |
| <u>Current Assets:</u>                          |                    |                     |                              |
| Equity in Pooled Cash and Cash Equivalents      | \$ 48,918          | \$ 96,593           | \$ 145,511                   |
| Accounts Receivable                             | -                  | 1,217               | 1,217                        |
| Intergovernmental Receivable                    | 19,608             | -                   | 19,608                       |
| Inventory Held for Resale                       | -                  | 1,265               | 1,265                        |
| Materials and Supplies Inventory                | -                  | 588                 | 588                          |
| Total Current Assets                            | <u>68,526</u>      | <u>99,663</u>       | <u>168,189</u>               |
| <u>Non-Current Assets:</u>                      |                    |                     |                              |
| Depreciable Capital Assets, Net                 | <u>310,910</u>     | <u>98,035</u>       | <u>408,945</u>               |
| Total Assets                                    | <u>379,436</u>     | <u>197,698</u>      | <u>577,134</u>               |
| <u>Liabilities:</u>                             |                    |                     |                              |
| <u>Current Liabilities:</u>                     |                    |                     |                              |
| Accounts Payable                                | 27,889             | 500                 | 28,389                       |
| Accrued Wages and Benefits Payable              | 61,732             | 24,559              | 86,291                       |
| Intergovernmental Payable                       | 25,832             | 9,600               | 35,432                       |
| Compensated Absences Payable                    | 1,671              | -                   | 1,671                        |
| Capital Leases Payable                          | 5,274              | -                   | 5,274                        |
| Total Current Liabilities                       | <u>122,398</u>     | <u>34,659</u>       | <u>157,057</u>               |
| <u>Non-Current Liabilities</u>                  |                    |                     |                              |
| Compensated Absences Payable                    | 9,566              | -                   | 9,566                        |
| Capital Leases Payable                          | 16,184             | -                   | 16,184                       |
| Total Non-Current Liabilities                   | <u>25,750</u>      | <u>-</u>            | <u>25,750</u>                |
| Total Liabilities                               | <u>148,148</u>     | <u>34,659</u>       | <u>182,807</u>               |
| <u>Net Assets:</u>                              |                    |                     |                              |
| Invested in Capital Assets, Net of Related Debt | 289,452            | 98,035              | 387,487                      |
| Unrestricted (Deficit)                          | (58,164)           | 65,004              | 6,840                        |
| Total Net Assets                                | <u>\$ 231,288</u>  | <u>\$ 163,039</u>   | <u>\$ 394,327</u>            |

See Accompanying Notes to the Basic Financial Statements

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|  | Adult<br>Education | Other<br>Enterprise | Total<br>Enterprise<br>Funds |
|--|--------------------|---------------------|------------------------------|
| <u>Operating Revenues:</u>               |                    |                     |                              |
| Sales                                    | \$ -               | \$ 278,976          | \$ 278,976                   |
| Charges for Services                     | 1,320,811          | -                   | 1,320,811                    |
| Other Operating Revenues                 | 55,690             | 1,020               | 56,710                       |
| Total Operating Revenues                 | <u>1,376,501</u>   | <u>279,996</u>      | <u>1,656,497</u>             |
| <u>Operating Expenses:</u>               |                    |                     |                              |
| Salaries                                 | 940,061            | 106,426             | 1,046,487                    |
| Fringe Benefits                          | 297,470            | 86,755              | 384,225                      |
| Purchased Services                       | 218,177            | 2,290               | 220,467                      |
| Materials and Supplies                   | 142,437            | 179,265             | 321,702                      |
| Cost of Sales                            | -                  | 152,686             | 152,686                      |
| Depreciation                             | 17,261             | 5,409               | 22,670                       |
| Total Operating Expenses                 | <u>1,615,406</u>   | <u>532,831</u>      | <u>2,148,237</u>             |
| Operating Loss                           | <u>(238,905)</u>   | <u>(252,835)</u>    | <u>(491,740)</u>             |
| <u>Non-Operating Revenues (Expenses)</u> |                    |                     |                              |
| Grants                                   | 156,021            | 170,614             | 326,635                      |
| Interest Revenue                         | -                  | 46                  | 46                           |
| Loss on Disposal of Capital Assets       | (10,541)           | -                   | (10,541)                     |
| Interest Expense                         | (2,402)            | -                   | (2,402)                      |
| Total Non-Operating Revenues (Expenses)  | <u>143,078</u>     | <u>170,660</u>      | <u>313,738</u>               |
| Loss Before Transfers                    | (95,827)           | (82,175)            | (178,002)                    |
| Transfers In                             | 50,000             | 43,259              | 93,259                       |
| Transfers Out                            | <u>(44,443)</u>    | <u>(61,751)</u>     | <u>(106,194)</u>             |
| Changes in Net Assets                    | (90,270)           | (100,667)           | (190,937)                    |
| Net Assets at Beginning of Year          | 321,558            | 263,706             | 585,264                      |
| Net Assets at End of Year                | <u>\$ 231,288</u>  | <u>\$ 163,039</u>   | <u>\$ 394,327</u>            |

See Accompanying Notes to the Basic Financial Statements



**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|   | Adult<br>Education | Other<br>Enterprise | Total<br>Enterprise<br>Funds |
|---|--------------------|---------------------|------------------------------|
| <u>Increase (Decrease) in Cash and Cash Equivalents</u>         |                    |                     |                              |
| <u>Cash Flow from Operating Activities:</u>                     |                    |                     |                              |
| Cash Received from Customers                                    | \$ 1,368,918       | \$ 280,805          | \$ 1,649,723                 |
| Cash Received from Other Revenues                               | 55,690             | 1,020               | 56,710                       |
| Cash Payments for Salaries                                      | (915,567)          | (104,776)           | (1,020,343)                  |
| Cash Payments for Fringe Benefits                               | (289,343)          | (88,668)            | (378,011)                    |
| Cash Payments for Goods and Services                            | (347,326)          | (334,381)           | (681,707)                    |
| Net Cash Used for Operating Activities                          | <u>(127,628)</u>   | <u>(246,000)</u>    | <u>(373,628)</u>             |
| <u>Cash Flows from Noncapital Financing Activities:</u>         |                    |                     |                              |
| Cash Received from Grants                                       | 154,874            | 170,614             | 325,488                      |
| Cash Received from Transfers In                                 | 50,000             | 43,259              | 93,259                       |
| Cash Payments for Transfers Out                                 | (44,443)           | (61,751)            | (106,194)                    |
| Net Cash Provided by Noncapital Financing Activities            | <u>160,431</u>     | <u>152,122</u>      | <u>312,553</u>               |
| <u>Cash Flows from Capital and Related Financing Activities</u> |                    |                     |                              |
| Cash Payments for Lease Principal                               | (5,697)            | -                   | (5,697)                      |
| Cash Payments for Lease Interest                                | (2,402)            | -                   | (2,402)                      |
| Net Cash Used for Capital and Related Financing Activities      | <u>(8,099)</u>     | <u>-</u>            | <u>(8,099)</u>               |
| <u>Cash Flows from Investing Activities:</u>                    |                    |                     |                              |
| Cash Received from Interest                                     | -                  | 46                  | 46                           |
| Net Increase (Decrease) in Cash and Cash Equivalents            | 24,704             | (93,832)            | (69,128)                     |
| Cash and Cash Equivalents at Beginning of Year                  | 24,214             | 190,425             | 214,639                      |
| Cash and Cash Equivalents at End of Year                        | <u>\$ 48,918</u>   | <u>\$ 96,593</u>    | <u>\$ 145,511</u>            |

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

|  | <u>Adult<br/>Education</u> | <u>Other<br/>Enterprise</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|--|----------------------------|-----------------------------|---------------------------------------|
| Reconciliation of Operating Loss<br><u>to Net Cash Used for Operating Activities:</u>        |                            |                             |                                       |
| Operating Loss   | \$ (238,905)               | \$ (252,835)                | \$ (491,740)                          |
| Adjustments to Reconcile Operating Loss<br><u>to Net Cash Used for Operating Activities:</u> |                            |                             |                                       |
| Depreciation   | 17,261                     | 5,409                       | 22,670                                |
| Changes in Assets and Liabilities:   |                            |                             |                                       |
| Decrease in Accounts Receivable  | 6,010                      | 1,251                       | 7,261                                 |
| Decrease in Intergovernmental Receivable   | 42,097                     | 578                         | 42,675                                |
| Decrease in Inventory Held for Resale  | -                          | 792                         | 792                                   |
| Increase in Materials and Supplies Inventory   | -                          | (262)                       | (262)                                 |
| Increase (Decrease) in Accounts Payable  | 13,288                     | (670)                       | 12,618                                |
| Increase in Accrued Wages and Benefits Payable   | 26,232                     | 822                         | 27,054                                |
| Increase (Decrease) in Intergovernmental Payable   | 4,491                      | (1,085)                     | 3,406                                 |
| Increase in Compensated Absences Payable   | 1,898                      | -                           | 1,898                                 |
| Net Cash Used for Operating Activities   | <u>\$ (127,628)</u>        | <u>\$ (246,000)</u>         | <u>\$ (373,628)</u>                   |

See Accompanying Notes to the Basic Financial Statements

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

|  | Private Purpose<br>Trust | Agency    |
|--|--------------------------|-----------|
| <u>Assets:</u>                             |                          |           |
| Equity in Pooled Cash and Cash Equivalents | \$ 81,671                | \$ 25,865 |
| Notes Receivable                           | 2,479                    | -         |
| Total Assets                               | 84,150                   | \$ 25,865 |
| <u>Liabilities:</u>                        |                          |           |
| Undistributed Assets                       | -                        | \$ 3,951  |
| Due to Students                            | -                        | 21,914    |
| Total Liabilities                          | -                        | \$ 25,865 |
| <u>Net Assets:</u>                         |                          |           |
| Held in Trust for Scholarships             | 33,899                   |           |
| Endowments                                 | 50,251                   |           |
| Total Net Assets                           | \$ 84,150                |           |

See Accompanying Notes to the Basic Financial Statements

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                     |                         |
|-------------------------------------|-------------------------|
| <u>Additions:</u>                   |                         |
| Interest                            | \$ 49                   |
| Gifts and Donations                 | 2,900                   |
| Other                               | 297                     |
| Total Additions                     | <u>3,246</u>            |
| <br><u>Deductions:</u>              |                         |
| Non-Instructional Services          | <u>2,849</u>            |
| <br>Change in Net Assets            | <br>397                 |
| <br>Net Assets at Beginning of Year | <br><u>83,753</u>       |
| Net Assets at End of Year           | <u><u>\$ 84,150</u></u> |

See Accompanying Notes to the Basic Financial Statements

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

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**Note 1 - Description of the School District and Reporting Entity**

The Tri-Rivers Joint Vocational School District (the "School District") is a distinct political subdivision of the State of Ohio operated under the direction of a thirteen member Board of Education consisting of one representative from each of the participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The School District exposes students to job training skills leading to employment upon graduation from high school.

The School District was established in 1974. The School District serves Marion and the surrounding counties. It is staffed by twenty-seven classified employees, seventy-six certified teaching personnel, and six administrative employees who provide services to six hundred fifteen students and other community members. The School District currently operates an instruction/administration building.

**Reporting Entity**

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to insure the financial statements are not misleading. For reporting purposes, the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Tri-Rivers Joint Vocational School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in the Tri-Rivers Educational Computer Association, a jointly governed organization, and the Stark County Schools Council of Governments Health Benefit Plan and the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan, insurance pools. These organizations are presented in Notes 21 and 22 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The basic financial statements of Tri-Rivers Joint Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The School District does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the School District's accounting policies.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the stand-alone government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and 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 School District has one 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 to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District has one major enterprise fund:

Adult Education - The Adult Education enterprise fund accounts for the activities related to providing adult education classes.

The other enterprise funds of the School District account for food service operations and activities related to vocational programs.

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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various non-instructional staff-related activities and student-managed activities.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**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; enterprise funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.



**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and rent.

**Deferred Revenues**

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

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

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

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

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

**E. Budgetary Process**

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

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2012, the School District invested in STAR Ohio. 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 net asset value per share, which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 was \$3,394, which includes \$133 assigned from other School District funds.

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

**G. Inventory**

Inventory is stated at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies in the governmental funds and donated and purchased food in the enterprise funds.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the enterprise funds. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of ten thousand dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets by the enterprise funds is also capitalized.

All 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>                  | <u>Useful Lives</u> |
|-------------------------------------|---------------------|
| Land Improvements                   | 10 years            |
| Buildings and Building Improvements | 20 - 65 years       |
| Furniture, Fixtures, and Equipment  | 5 - 30 years        |
| Vehicles                            | 10 years            |

**I. Interfund Assets/Liabilities**

On fund financial statements, outstanding interfund loans are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees with at least twenty-five years of service, with at least twenty years of service and at least fifty years of age, or with any amount of service and at least fifty-five years of age.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance**

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

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

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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

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

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

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

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

**N. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the School District, these revenues are charges for services for adult education and sales for food service and vocational programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise funds. All revenues and expenses not meeting this definition are reported as non-operating.

**O. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Transfers within governmental activities or within business-type activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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 and after nonoperating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**P. Estimates**

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

**Note 3 - Accountability**

At June 30, 2012, the VEPD special revenue fund and the Bond Retirement debt service fund had deficit fund balances, in the amount of \$163 and \$2,957, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**Note 4 - Budgetary Basis of Accounting** (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

| Changes in Fund Balance                                       |             |
|---|-------------|
| GAAP Basis  | (\$341,198) |
| <u>Increase (Decrease) Due To:</u>                            |             |
| Revenue Accruals:   |             |
| Accrued FY 2011, Received in<br>Cash FY 2012                  | 1,139,496   |
| Accrued FY 2012, Not Yet<br>Received in Cash                  | (1,175,866) |
| Accrued FY 2011, Paid in<br>Cash FY 2012                      | (937,892)   |
| Accrued FY 2012, Not Yet<br>Paid in Cash                      | 1,151,955   |
| Materials and Supplies Inventory                              | 2,693       |
| Advances In   | 6,500       |
| Advances Out  | (82,182)    |
| Encumbrances Outstanding at<br>Fiscal Year End (Budget Basis) | (453,632)   |
| Budget Basis  | (\$690,126) |

**Note 5 - Deposits and Investments**

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

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

Inactive deposits are public deposits 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.



**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 5 - Deposits and Investments** (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,988,911 of the School District's bank balance of \$4,096,515 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.



**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 5 - Deposits and Investments** (continued)

Investments

As of June 30, 2012, the fair value of funds on deposit with STAR Ohio was \$56,680. The School District's investment in STAR Ohio had an average maturity of 52.5 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Note 6 - Receivables**

Receivables at June 30, 2012, consisted of accounts (rent, billings for user charged services, and student fees), intergovernmental, interfund, property taxes, payment in lieu of taxes, and notes. 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. All receivables, except for property taxes and a portion of notes, are considered collectible within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable are repaid according to payment schedules made with the various students.

A summary of the principal items of intergovernmental receivables follows:

|                                | <u>Amount</u>   |
|--------------------------------|-----------------|
| Governmental Activities        |                 |
| General Fund                   | <u>\$244</u>    |
| Other Governmental Funds       |                 |
| Miscellaneous State Grants     | 11,000          |
| Title II-A                     | 3,036           |
| School Resource Officer        | <u>5,158</u>    |
| Total Other Governmental Funds | <u>19,194</u>   |
| Total Governmental Activities  | <u>\$19,438</u> |
| <br>                           |                 |
| Business-Type Activities       |                 |
| Adult Education                | <u>\$19,608</u> |

**Note 7 - Property Taxes**

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

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**Note 7 - Property Taxes** (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from seven counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2012, and for which there was 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 reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$1,140,475 in the General Fund. The amount available as an advance at June 30, 2011, was \$1,139,341 in the General Fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On the modified accrual basis, the revenue is deferred.

The assessed values upon which the fiscal year 2012 taxes were collected are:

|   | 2011 Second-<br>Half Collections |                | 2012 First-<br>Half Collections |                |
|---|----------------------------------|----------------|---------------------------------|----------------|
|   | Amount                           | Percent        | Amount                          | Percent        |
| Agricultural/Residential<br>and Other Real Estate | \$1,586,302,560                  | 94.75%         | \$1,586,302,560                 | 94.75%         |
| Public Utility                                    | 87,910,530                       | 5.25           | 87,910,530                      | 5.25           |
| Total Assessed Value                              | <u>\$1,674,213,090</u>           | <u>100.00%</u> | <u>\$1,674,213,090</u>          | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation     | \$4.40                           |                | \$4.40                          |                |

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**Note 8 - Payment in Lieu of Taxes**

According to State law, Marion County and the City of Marion have entered into agreements with a number of property owners under which the County and the City have granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County and the City which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. Each property owner contractually promises to make these payments in lieu of taxes until the agreement expires.

**Note 9 - Capital Assets**

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

|   | Balance at<br>6/30/11 | Additions         | Reductions        | Balance at<br>6/30/12 |
|---|-----------------------|-------------------|-------------------|-----------------------|
| <b>Governmental Activities</b>                          |                       |                   |                   |                       |
| <b>Nondepreciable Capital Assets</b>                    |                       |                   |                   |                       |
| Land  | \$241,082             | \$0               | \$0               | \$241,082             |
| Construction in Progress                                | 0                     | 30,263            | 0                 | 30,263                |
| <b>Total Nondepreciable Capital Assets</b>              | <b>241,082</b>        | <b>30,263</b>     | <b>0</b>          | <b>271,345</b>        |
| <b>Depreciable Capital Assets</b>                       |                       |                   |                   |                       |
| Land Improvements                                       | 412,591               | 0                 | 0                 | 412,591               |
| Buildings and Building Improvements                     | 8,930,978             | 0                 | 0                 | 8,930,978             |
| Furniture, Fixtures, and Equipment                      | 1,154,036             | 359,640           | (98,581)          | 1,415,095             |
| Vehicles  | 84,454                | 45,433            | 0                 | 129,887               |
| <b>Total Depreciable Capital Assets</b>                 | <b>10,582,059</b>     | <b>405,073</b>    | <b>(98,581)</b>   | <b>10,888,551</b>     |
| <b>Less Accumulated Depreciation</b>                    |                       |                   |                   |                       |
| Land Improvements                                       | (366,800)             | (20,900)          | 0                 | (387,700)             |
| Buildings and Building Improvements                     | (4,234,706)           | (175,450)         | 0                 | (4,410,156)           |
| Furniture, Fixtures, and Equipment                      | (506,150)             | (113,988)         | 72,294            | (547,844)             |
| Vehicles  | (20,243)              | (9,924)           | 0                 | (30,167)              |
| <b>Total Accumulated Depreciation</b>                   | <b>(5,127,899)</b>    | <b>(320,262)</b>  | <b>72,294</b>     | <b>(5,375,867)</b>    |
| <b>Depreciable Capital Assets, Net</b>                  | <b>5,454,160</b>      | <b>84,811</b>     | <b>(26,287)</b>   | <b>5,512,684</b>      |
| <b>Governmental Activities<br/>Capital Assets, Net</b>  | <b>\$5,695,242</b>    | <b>\$115,074</b>  | <b>(\$26,287)</b> | <b>\$5,784,029</b>    |
| <b>Business-Type Activities</b>                         |                       |                   |                   |                       |
| <b>Depreciable Capital Assets</b>                       |                       |                   |                   |                       |
| Buildings and Building Improvements                     | \$780,832             | \$0               | \$0               | \$780,832             |
| Furniture, Fixtures, and Equipment                      | 120,111               | 0                 | (52,705)          | 67,406                |
| <b>Total Depreciable Capital Assets</b>                 | <b>900,943</b>        | <b>0</b>          | <b>(52,705)</b>   | <b>848,238</b>        |
| <b>Less Accumulated Depreciation</b>                    |                       |                   |                   |                       |
| Buildings and Building Improvements                     | (392,326)             | (14,479)          | 0                 | (406,805)             |
| Furniture, Fixtures, and Equipment                      | (66,461)              | (8,191)           | 42,164            | (32,488)              |
| <b>Total Accumulated Depreciation</b>                   | <b>(458,787)</b>      | <b>(22,670)</b>   | <b>42,164</b>     | <b>(439,293)</b>      |
| <b>Business-Type Activities<br/>Capital Assets, Net</b> | <b>\$442,156</b>      | <b>(\$22,670)</b> | <b>(\$10,541)</b> | <b>\$408,945</b>      |

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 9 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

|                                    |                  |
|------------------------------------|------------------|
| Instruction:                       |                  |
| Vocational                         | \$232,819        |
| Support Services:                  |                  |
| Pupils                             | 6,226            |
| Instructional Staff                | 3,317            |
| Administration                     | 8,218            |
| Fiscal                             | 1,608            |
| Business                           | 4,826            |
| Operation and Maintenance of Plant | 25,141           |
| Pupil Transportation               | 5,503            |
| Central                            | 32,604           |
| Total Depreciation Expense         | <u>\$320,262</u> |

Depreciation expense was charged to other enterprise funds as follows:

|                        |                |
|------------------------|----------------|
| Other Enterprise Funds |                |
| Food Service           | \$4,316        |
| Rotary                 | 1,093          |
|                        | <u>\$5,409</u> |

**Note 10 - Interfund Assets/Liabilities**

Interfund balances at June 30, 2012, consisted of the following individual fund receivables and payables:

Due to General Fund from:

|                            |                 |
|----------------------------|-----------------|
| Other Governmental Funds   |                 |
| Miscellaneous State Grants | \$7,000         |
| VEPD                       | 72,146          |
| Title II-A                 | 3,036           |
| Bond Retirement            | 2,957           |
|                            | <u>\$85,139</u> |

The balance due to the General Fund consists of loans made to provide cash flow resources until the receipt of grant monies by the special revenue funds and to alleviate the deficit cash balance in the debt service fund. All amounts are expected to be collected within one year.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted for the following insurance coverage:

|  |              |
|--|--------------|
| Coverage provided by Argonaut Insurance Group: |              |
| Buildings and Contents - replacement cost      | \$38,225,547 |
| Auto Liability                                 | 1,000,000    |
| General Liability                              |              |
| Each Occurrence                                | 1,000,000    |
| Aggregate                                      | 3,000,000    |
| Excess Liability                               | 2,000,000    |

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

The School District participates in the Stark County Schools Council of Governments Health Benefit Plan (Plan), a public entity shared risk pool. The School District pays monthly premiums to the Plan for employee medical, dental, vision, and life insurance benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School District participates in the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**Note 12 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 12 - Defined Benefit Pension Plans** (continued)

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$623,521 and \$20,809 for the fiscal year ended June 30, 2012, \$628,930 and \$18,454 for the fiscal year ended June 30, 2011, and \$626,264 and \$20,768 for the fiscal year ended June 30, 2010. For fiscal year 2012, 84 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$10,156 made by the School District and \$7,254 made by the plan members. In addition, member contributions of \$14,863 were made for fiscal year 2012 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 12 - Defined Benefit Pension Plans** (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$123,347, \$112,690, and \$116,312, respectively. The full amount has been contributed for all three fiscal years.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2012, seven of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 13 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care 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. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Chapter 3307 of the Ohio Revised Code 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$50,345, \$50,104, and \$50,032, respectively. For fiscal year 2012, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.



**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 13 - Postemployment Benefits** (continued)

**B. School Employees Retirement System**

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified 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 as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal 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 fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$13,896 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$5,342, \$13,645, and \$4,187, respectively. The full amount has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$7,284, \$7,252, and \$6,917, respectively. The full amount has been contributed for all three fiscal years.

**Note 14 - Other Employee Benefits**

**A. Compensated Absences**

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



**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**Note 14 - Other Employee Benefits** (continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty-three days for all personnel. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of sixty-three and one quarter days. Teachers who maintain or exceed State performance standards for attendance in four out of the last five years of employment prior to retirement will receive an additional twenty-five days of severance pay.

**B. Health Care Benefits**

The School District offers employee medical, dental, life, and vision insurance benefits to all employees through the Stark County Schools Council of Governments Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

**C. Separation Benefits**

The School District offers a separation benefit of \$15,000 to teachers under the TREA Bargaining Unit who retire during the summer of their first year of eligibility or who retire during the summer after they first attain 30 years of STRS service credit at any age. At June 30, 2012, there was no liability for separation benefits.

**Note 15 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

|   | Balance at<br>6/30/11 | Additions        | Reductions       | Balance at<br>6/30/12 | Amounts<br>Due<br>Within<br>One Year |
|---|-----------------------|------------------|------------------|-----------------------|--------------------------------------|
| Governmental Activities   |                       |                  |                  |                       |                                      |
| General Obligations   |                       |                  |                  |                       |                                      |
| School Facilities Loan<br>FY 1999 0.00%                         | \$44,037              | \$0              | \$22,021         | \$22,016              | \$22,016                             |
| Compensated Absences Payable                                    | 299,299               | 98,654           | 81,412           | 316,541               | 37,423                               |
| Capital Leases Payable  | 55,961                | 261,980          | 73,515           | 244,426               | 50,531                               |
| <b>Total Governmental Activities<br/>Long-Term Obligations</b>  | <b>\$399,297</b>      | <b>\$360,634</b> | <b>\$176,948</b> | <b>\$582,983</b>      | <b>\$109,970</b>                     |
| Business-Type Activities  |                       |                  |                  |                       |                                      |
| Compensated Absences Payable                                    | \$9,339               | \$1,898          | \$0              | \$11,237              | \$1,671                              |
| Capital Leases Payable  | 27,155                | 0                | 5,697            | 21,458                | 5,274                                |
| <b>Total Business-Type Activities<br/>Long-Term Obligations</b> | <b>\$36,494</b>       | <b>\$1,898</b>   | <b>\$5,697</b>   | <b>\$32,695</b>       | <b>\$6,945</b>                       |

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**Note 15 - Long-Term Obligations** (continued)

FY 1999 School Facilities Loan - In fiscal year 1999, the School District obtained an interest free loan from the Ohio Department of Education, in the amount of \$440,415, for building construction. The loan was obtained under the authority of the Ohio Revised Code Sections 3317.21 and 3317.22 for a maximum fifteen year period. The School District has made accelerated payments to pay off the loan during fiscal year 2013. The loan is being retired through the Bond Retirement debt service fund.

Compensated absences will be paid from the General Fund and the Adult Education enterprise fund. The capital leases will be paid from the General Fund and the Adult Education enterprise fund.

The School District's overall debt margin was \$142,745,214 with an unvoted debt margin of \$1,564,287 at June 30, 2012.

Principal requirements to retire the general obligation debt outstanding at June 30, 2012, were as follows:

|             |           |
|-------------|-----------|
| Fiscal Year | Principal |
| 2013        | \$22,016  |

**Note 16 - Capital Leases - Lessee Disclosure**

The School District has entered into capital leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Vocational Instruction," "Pupils," "Central," and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds and as a reduction of the liability in the enterprise funds. Principal payments in 2012 were \$41,914 for governmental funds and \$5,697 for enterprise funds. During fiscal year 2012, two capital leases were terminated which resulted in a reduction in the capital lease liability of \$31,601 for governmental funds.

|                               | Governmental<br>Activities | Business-Type<br>Activities |
|-------------------------------|----------------------------|-----------------------------|
| Property under Capital Lease  | \$286,980                  | \$30,000                    |
| Less Accumulated Depreciation | (60,730)                   | (10,000)                    |
| Total June 30, 2012           | \$226,250                  | \$20,000                    |

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

| Year  | Governmental Activities |          | Business-Type Activities |          |
|-------|-------------------------|----------|--------------------------|----------|
|       | Principal               | Interest | Principal                | Interest |
| 2013  | \$50,531                | \$32,608 | \$5,274                  | \$1,582  |
| 2014  | 55,373                  | 24,268   | 6,273                    | 1,207    |
| 2015  | 62,926                  | 16,715   | 6,864                    | 616      |
| 2016  | 68,851                  | 7,154    | 3,047                    | 69       |
| 2017  | 6,745                   | 119      | 0                        | 0        |
| Total | \$244,426               | \$80,864 | \$21,458                 | \$3,474  |

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**Note 17 - Set Asides**

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

|                                    | Capital<br>Improvements |
|------------------------------------|-------------------------|
| Balance June 30, 2011              | \$0                     |
| Current Year Set Aside Requirement | 110,692                 |
| Qualifying Expenditures            | (110,692)               |
| Balance June 30, 2012              | \$0                     |

**Note 18 - Interfund Transfers**

During fiscal year 2012, the General Fund made transfers to other governmental funds, in the amount of \$22,021, as debt payments came due. The General Fund also made transfers to the Adult Education and Rotary enterprise funds, in the amount of \$93,259, to support the operation of adult education, the preschool program, the culinary arts program, and the school store program. The Adult Education enterprise fund made transfers to the General Fund, in the amount of \$44,443, to repay the General Fund for funds transferred in prior years. The Rotary enterprise fund made transfers, in the amount \$61,751, to the General Fund, to close the collision repair and floral programs.

**Note 19 - Fund Balance**

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

| Fund Balance                     | General  | Other<br>Governmental | Total<br>Governmental<br>Funds |
|----------------------------------|----------|-----------------------|--------------------------------|
| Nonspendable for:                |          |                       |                                |
| Materials and Supplies Inventory | \$54,909 | \$0                   | \$54,909                       |
| Restricted for:                  |          |                       |                                |
| Adult Education                  | 0        | 13,662                | 13,662                         |
| Career Development               | 0        | 578                   | 578                            |

(continued)

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**Note 19 - Fund Balance** (continued)

| Fund Balance                | General     | Other<br>Governmental | Total<br>Governmental<br>Funds |
|-----------------------------|-------------|-----------------------|--------------------------------|
| Restricted for (continued): |             |                       |                                |
| Professional Development    | \$0         | \$8,044               | \$8,044                        |
| Student Assistance          | 0           | 1,072                 | 1,072                          |
| Vocational Instruction      | 0           | 7,624                 | 7,624                          |
| Total Restricted            | 0           | 30,980                | 30,980                         |
| Assigned for:               |             |                       |                                |
| Unpaid Obligations          | 159,268     | 0                     | 159,268                        |
| Unassigned (Deficit)        | 3,525,542   | (3,120)               | 3,522,422                      |
| Total Fund Balance          | \$3,739,719 | \$27,860              | \$3,767,579                    |

**Note 20 - Donor Restricted Endowments**

The School District's private purpose trust fund consists of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$50,251, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$33,899 and is reflected as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

**Note 21 - Jointly Governed Organization**

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Crawford, Clark, Cuyahoga, Delaware, Franklin, Hamilton, Knox, Mahoning, Marion, Morrow, Muskingum, Summit, Trumbull, Union, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2012, the School District paid \$48,157 to TRECA for various services. Financial information can be obtained from TRECA, 100 Executive Drive, Marion, Ohio 43302.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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**Note 22 - Insurance Pools**

**A. Stark County Schools Council of Governments Health Benefit Plan**

The School District participates in a public entity shared risk pool, the Stark County Schools Council of Governments Health Benefit Plan (Plan) for employee medical, dental, vision, and life insurance benefits. The Plan is administered by the Stark County Schools Council (SCSC), a regional council of governments established in accordance with Chapter 167 of the Ohio Revised Code. The SCSC is governed by an assembly consisting of one representative from each participant. Each participant pays its premiums to the Plan based on an apportionment of estimated costs established by the SCSC prior to the beginning of each fiscal year. Should estimated program costs be insufficient to pay all claims for the fiscal year, the SCSC notifies each participant of any additional program costs for the fiscal year. Upon withdrawal from the Health Benefit Plan, a participant is entitled to be refunded any excess contributions being held by the Plan.

Participation in the Health Benefit Plan is by written application subject to acceptance by the Board of Directors of the Assembly and payment of the monthly premiums. Financial information can be obtained from the Stark County Educational Service Center, who serves as fiscal agent, 2100 Thirty-Eighth Street Northwest, Canton, Ohio 44709.

**B. Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan (Plan) was established through the Better Business Bureau of Ohio as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**Note 23 - Contingencies**

**A. Grants**

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

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

| <u>Federal Grantor/<br/>Pass Through Grantor<br/>Program Title</u>                      | Federal<br>CFDA<br>Number | Receipts                   | Disburse-<br>ments         |
|---|---------------------------|----------------------------|----------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>  |                           |                            |                            |
| <i>Passed Through Ohio Department of Education:</i>                                     |                           |                            |                            |
| Nutrition Cluster:  |                           |                            |                            |
| Cash Assistance:  |                           |                            |                            |
| School Breakfast Program  | 10.553                    | \$ 31,439                  | \$ 31,439                  |
| National School Lunch Program   | 10.555                    | 118,915                    | 118,915                    |
| Cash Assistance Subtotal:   |                           | <u>150,354</u>             | <u>150,354</u>             |
| Total Nutrition Cluster   |                           | <u>150,354</u>             | <u>150,354</u>             |
| Child and Adult Care Food Program   | 10.558                    | 17,123                     | 17,123                     |
| Total U.S. Department of Agriculture  |                           | <u><b>167,477</b></u>      | <u><b>167,477</b></u>      |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>  |                           |                            |                            |
| Student Financial Assistance Cluster:   |                           |                            |                            |
| Federal Pell Grant Program  | 84.063                    | 422,612                    | 422,612                    |
| Federal Direct Student Loans  | 84.268                    | 734,092                    | 734,092                    |
| Total Student Financial Assistance Cluster  |                           | <u>1,156,704</u>           | <u>1,156,704</u>           |
| Rural Education   | 84.358                    | 55,763                     | 55,763                     |
| <i>Passed Through the Ohio Department of Education:</i>                                 |                           |                            |                            |
| Improving Teacher Quality State Grants  | 84.367                    | -                          | 3,036                      |
| State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395                    | 1,050                      | -                          |
| Career and Technical Education-Basic Grants to States                                   | 84.048                    | 264,821                    | 258,321                    |
| <i>Passed Through Madison Local School District:</i>                                    |                           |                            |                            |
| Career and Technical Education-Basic Grants to States                                   | 84.048                    | 72,908                     | 73,681                     |
| Total U.S. Department of Education  |                           | <u><b>1,551,246</b></u>    | <u><b>1,547,505</b></u>    |
| <b><u>U.S. DEPARTMENT OF JUSTICE</u></b>  |                           |                            |                            |
| <i>Passed Through the Ohio Department of Public Safety:</i>                             |                           |                            |                            |
| Edward Byrne Memorial Justice Assistance Grant Program                                  | 16.738                    | 5,813                      | 5,813                      |
| Total U.S. Department of Justice  |                           | <u><b>5,813</b></u>        | <u><b>5,813</b></u>        |
| <b>TOTAL FEDERAL AWARDS</b>   |                           | <u><b>\$ 1,724,536</b></u> | <u><b>\$ 1,720,795</b></u> |

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

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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





# 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

Tri-Rivers Joint Vocational School District  
Marion County  
2222 Marion Mt. Gilead Road  
Marion, Ohio 43302

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tri-Rivers Joint Vocational School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the 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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 27, 2013.

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

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

**Dave Yost**  
Auditor of State

March 27, 2013



# Dave Yost • Auditor of State

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

Tri-Rivers Joint Vocational School District  
Marion County  
2222 Marion-Mt. Gilead Road  
Marion, Ohio 43302

To the Board of Education:

### Compliance

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

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

In our opinion, the Tri-Rivers Joint Vocational School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2012-001 and 2012-002.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance.

Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-002 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-001 to be a significant deficiency.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 27, 2013.

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



**Dave Yost**  
Auditor of State

March 27, 2013

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                  | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                       | Yes   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | Yes   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510?</b>  | Yes   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | <u>Student Financial Assistance Cluster</u><br>CFDA #84.268 – Federal Direct Student Loans<br>CFDA #84.063 – Federal Pell Grant Program<br><br>CFDA #84.048 – Career and Technical Education – Basic Grants to States |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others  |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | No  |

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

None.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
|--|

|                                    |   |
|------------------------------------|---|
| <b>Finding Number</b>              | 2012-001                                      |
| <b>CFDA Title and Number</b>       | Career and Technical Education – CFDA #84.048 |
| <b>Federal Award Number / Year</b> | 2011/2012                                     |
| <b>Federal Agency</b>              | U.S. Department of Education                  |
| <b>Pass-Through Agency</b>         | Ohio Department of Education                  |

**Questioned Costs/Significant Deficiency – Allowable Costs/Cost Principles  
Career and Technical Education**

2 C.F.R. Part 225, Appendix B (19)(a) states that the general costs of government are unallowable. These costs include:

1. Salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision or the chief executive of federally-recognized Indian tribal government;
2. Salaries and other expenses of a State legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;
3. Costs of the judiciary branch of a government;
4. Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by program statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General); and,
5. Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

During fiscal year 2012, the District charged \$12,916 of its Superintendent's salary to the Career and Technical Education program. The Superintendent is the chief executive of the District and therefore is an unallowable general government cost. As a result, we are questioning the Superintendent's salary charged to the Career and Technical Education program in the amount of \$12,916.

We recommend that the District follow the compliance requirements included in 2 C.F.R. Part 225, Appendix B to ensure the allowability of payroll charged to the federal programs.

**Officials' Response and Corrective Action Plan:**

Historically, Tri-Rivers Career Center has charged a portion of its Superintendent's salary to the Carl D. Perkins Grant under the Governance allowance. Beginning in fiscal year 2013 Tri-Rivers will begin to allocate a portion of its Executive Director's (Principal) salary to the Perkins Grant under the Governance allowance.

This correction will be completed July 1, 2012 and the person responsible is Stephen J. Earnest, Treasurer.

**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

|                                    |   |
|------------------------------------|---|
| <b>Finding Number</b>              | 2012-002  |
| <b>CFDA Title and Number</b>       | Student Financial Assistance Cluster – CFDA #84.063/ 84.268 |
| <b>Federal Award Number / Year</b> | 2011/2012   |
| <b>Federal Agency</b>              | U.S. Department of Education                                |

**Material Noncompliance / Material Weakness – Eligibility  
Student Financial Assistance Cluster**

34 C.F.R. § 690.64 (a) – (d) states that for Federal Pell Grants, if a student enrolls in a payment period which is scheduled to occur in two award years, the following requirements apply;

1. The entire payment period must be considered to occur within one award year;
2. An institution must assign the payment period to the award year in which the student receives the greater payment for the payment period based on the information available at the time that the student's Federal Pell Grant is initially calculated.
3. If an institution places the payment period in the first award year, it shall pay a student with funds from the first award year; and
4. If an institution places the payment period in the second award year, it shall pay a student with funds from the second award year.

Additionally, an institution may not make a payment which will result in the student receiving more than his or her scheduled Federal Pell Grant for an award year.

Furthermore, 34 C.F.R. § 685.203 states that for Federal Direct Loans, the annual maximum loan amount an undergraduate student may borrow must be prorated in the following situations:

1. When the student is enrolled in a program that is shorter than a full academic year; and
2. When the student is enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.

The District's academic year was 900 clock hours and 26 weeks of instructional time.

During fiscal year 2012, the District calculated all Federal Pell Grants and Federal Direct Loan awards based on the District's fiscal year rather than in accordance with the above requirements. This resulted in twenty-four percent of the Federal Pell Grants and Federal Direct Loans tested being calculated incorrectly. In addition, although these awards were calculated incorrectly, it did not result in any student receiving more aid than allowed.

We recommend that the District calculate Federal Pell Grant and Federal Direct Loan awards based on the criteria set forth in 34 C.F.R. § 690.64 and § 685.203. We further recommend that the Director of Adult Education review and approve all awards prior to submission, ensuring that the award amount is appropriate.



TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012 (Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

|                       |                      |
|-----------------------|----------------------|
| <b>Finding Number</b> | 2012-002 (Continued) |
|-----------------------|----------------------|

**Material Noncompliance / Material Weakness – Eligibility (Continued)**  
**Student Financial Assistance Cluster (Continued)**

**Officials’ Response and Corrective Action Plan:**

This is a carry-over issue from the previous year. We had a miss-calculation which was corrected but which impacted two school fiscal years.

In the past the regulations for awards for Pell Grants and Loans for clock-hour schools for title four requirements required the annual award to be multiplied by two fractions; (1) the least of weeks of instructional time for a full-time student to complete hours in program over weeks of instructional time in program’s academic year definition **or** weeks of instructional time for a full-time student to complete hours in academic year over weeks of instructional time in program’s academic year definition **and then those results are multiplied** by clock/credit hours in payment period over clock/credit hours in program’s academic year definition. This double proration regulation changed for the 2008-2009 school year. We did not pick up the change at that time as it only affected very select programs that we offer (i.e. PN Web and Paramedicine; PN Web was not run in 2007-2008 nor 2009-2010). As soon as it came to our attention, we did correct our calculations and are now calculating the awards correctly.

When calculating the maximum loans allowable; because we had not previously defined our academic year as 1387 for our PN Day program and 1308 for our LPN-RN Program we under-awarded loans in one year and then corrected the under-award in the next year - the net results for the two fiscal years in question were correct. We did correct our calculations for these programs to comply with current regulations and we are now calculating the Award Year correctly and have defined appropriate Academic Years for the affected programs for future years. Our revised program review process is in place. The Financial Aid Coordinator is presenting the calculations to the Adult Director who reviews and approves calculations. Once the calculations are approved the Financial Aid Coordinator completes the processing of the awards of grants and loans. Completion date was July 1, 2012 and the responsible person was Richard George, the Director of Adult Education.



**TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b> |
|----------------|---|------------------|---|
| 2011-001       | 2 C.F.R. Part 225, Appendix B (8)(h) and 2 C.F.R. §215.28 – CTE Salaries  | Yes              |   |
| 2011-002       | 34 C.F.R. § 690.64 and §682.204 – payment periods for clock hour schools. | No               | Not Corrected – comment is being repeated as Finding 2012-002.  |
| 2011-003       | 34 CFR § 668.166 – excess cash balances                                   | No               | Partially Corrected – comment is being repeated in the current audit management letter.   |
| 2011-004       | 34 C.F.R. 690.63(e) and 34 C.F.R. 685.203 – award calculations            | Yes              |   |

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# Dave Yost • Auditor of State

TRI-RIVERS JOINT VOCATIONAL SCHOOL DISTRICT

MARION 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  
MAY 9, 2013