



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky 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, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 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 receipt and expenditure 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 receipt and expenditure 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

February 20, 2013

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

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

The management's discussion and analysis of the Vanguard-Sentinel Career Centers (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,092 which represents a slight decrease of 0.002% from 2011.
- General revenues accounted for \$11,871,006 in revenue or 81.84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,633,431 or 18.16% of total revenues of \$14,504,437.
- The District had \$14,505,529 in expenses related to governmental activities; \$2,633,431 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,871,006 were mostly adequate to provide for these programs.
- The District's major governmental funds are the general fund, permanent improvement fund and classroom facilities fund. The general fund had \$13,182,436 in revenues and \$13,967,725 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$785,289 from a restated balance of \$6,191,161 to \$5,405,872.
- The permanent improvement fund had \$812,083 in revenues and other financing sources and \$1,602,772 in expenditures. During fiscal year 2012, the permanent improvement fund's restated fund balance decreased \$790,689 from \$9,757,421 to \$8,966,732.
- The classroom facilities fund had \$7,684,021 in revenues and \$18,079,411 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance decreased \$10,395,390 from \$13,375,699 to \$2,980,309.

**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 the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, permanent improvement fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

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

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

***Fund Financial Statements***

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

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

the government-wide and fund financial statements.

**The District as a Whole**

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

The table below provides a summary of the District's net assets for fiscal year 2012 and 2011.

	<b>Net Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
<b><u>Assets</u></b>		
Current and other assets	\$ 28,398,288	\$ 45,027,037
Capital assets, net	<u>32,381,991</u>	<u>13,509,052</u>
Total assets	<u>60,780,279</u>	<u>58,536,089</u>
<b><u>Liabilities</u></b>		
Current liabilities	8,111,336	5,570,726
Long-term liabilities	<u>6,165,736</u>	<u>6,461,064</u>
Total liabilities	<u>14,277,072</u>	<u>12,031,790</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	27,353,708	12,760,598
Restricted	14,525,024	27,951,404
Unrestricted	<u>4,624,475</u>	<u>5,792,297</u>
Total net assets	<u>\$ 46,503,207</u>	<u>\$ 46,504,299</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$46,503,207. Of this total, \$4,624,475 is unrestricted in use. The large variances in governmental activities assets, liabilities and net assets from fiscal year 2011 to fiscal year 2012 were caused by the District's use of prior year bond proceeds and intergovernmental revenue to construct and renovate buildings as part of an OSFC project.

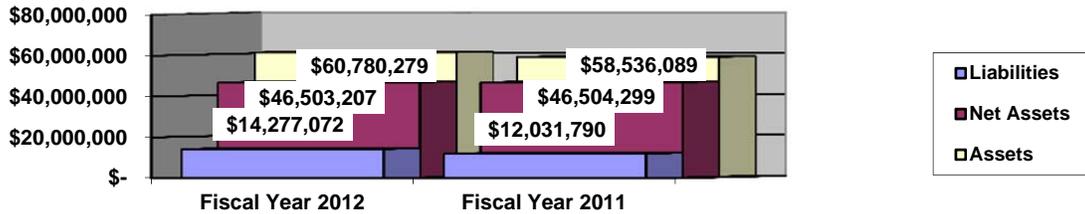
At year-end, capital assets represented 53.28% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture, fixtures and equipment and vehicles. The District had \$27,353,708 invested in capital assets, net of related debt at June 30, 2012. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$14,525,024, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,624,475 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Governmental Activities**



The table below shows the change in net assets for fiscal year 2012 and 2011.

**Change in Net Assets**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,077,335	\$ 1,207,109
Operating grants and contributions	1,556,096	2,383,250
General revenues:		
Property taxes	3,064,677	4,274,347
Grants and entitlements	8,498,377	7,926,768
Investment earnings	196,567	322,051
Other	<u>111,385</u>	<u>142,407</u>
 Total revenues	 <u>14,504,437</u>	 <u>16,255,932</u>

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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UNAUDITED  
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**Change in Net Assets**

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	190,728	148,967
Special	124,761	114,889
Vocational	8,766,620	8,901,482
Adult/continuing	630,340	617,358
Support services:		
Pupil	659,077	585,731
Instructional staff	757,604	802,857
Board of education	106,571	96,259
Administration	926,575	794,859
Fiscal	541,286	512,235
Operations and maintenance	1,373,124	1,357,723
Pupil transportation	60,360	73,109
Operations of non-instructional services:		
Other non-instructional services	66,596	236
Food service operations	172,235	177,293
Extracurricular activities	9,366	8,736
Interest and fiscal charges	120,286	115,676
Depreciation - Unallocated		66,423
Total expenses	<u>14,505,529</u>	<u>14,373,833</u>
Change in net assets	(1,092)	1,882,099
Net assets at beginning of year	<u>46,504,299</u>	<u>44,622,200</u>
Net assets at end of year	<u><u>\$ 46,503,207</u></u>	<u><u>\$ 46,504,299</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,092. Total governmental expenses of \$14,505,529 were offset by program revenues of \$2,633,431 and general revenues of \$11,871,006. Program revenues supported 18.16% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 79.72% of total governmental revenue.

Property tax revenue decreased \$1,209,670 or 28.30% from the prior year. This decrease is due mainly to less tax advances being available to the District at the end of fiscal year 2012.

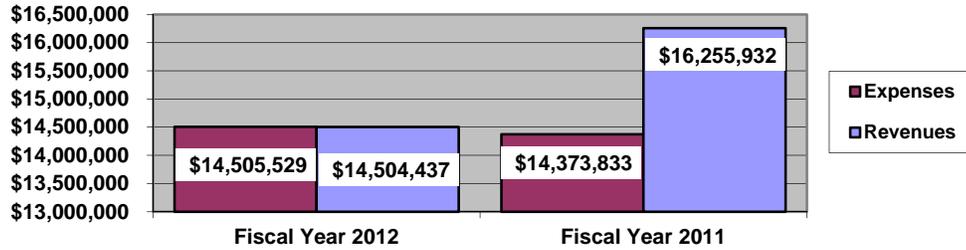
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,712,449 or 66.96% of total governmental expenses for fiscal year 2012.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2012 and 2011.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
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(Continued)**

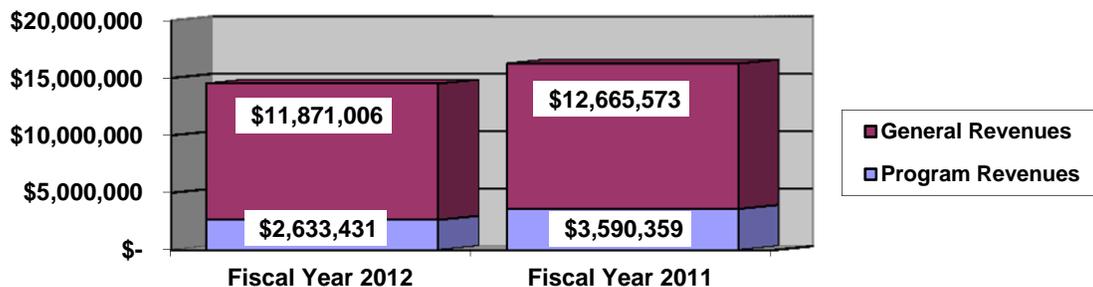
**Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
<b>Program expenses</b>				
Instruction:				
Regular	\$ 190,728	\$ 190,728	\$ 148,967	\$ 148,967
Special	124,761	124,761	114,889	114,889
Vocational	8,766,620	7,324,134	8,901,482	6,569,006
Adult/continuing	630,340	(57,167)	617,358	(52,339)
Support services:				
Pupil	659,077	575,583	585,731	496,723
Instructional staff	757,604	625,385	802,857	639,433
Board of education	106,571	106,571	96,259	96,259
Administration	926,575	897,180	794,859	769,991
Fiscal	541,286	541,286	512,235	512,235
Operations and maintenance	1,373,124	1,282,296	1,357,723	1,256,898
Pupil transportation	60,360	60,360	73,109	73,109
Operations of non-instructional services:				
Other non-instructional services	66,596	66,412	236	236
Food service operations	172,235	4,917	177,293	(32,768)
Extracurricular activities	9,366	9,366	8,736	8,736
Interest and fiscal charges	120,286	120,286	115,676	115,676
Depreciation - Unallocated			66,423	66,423
<b>Total expenses</b>	<b>\$ 14,505,529</b>	<b>\$ 11,872,098</b>	<b>\$ 14,373,833</b>	<b>\$ 10,783,474</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 78.07% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.85%. The District's taxpayers and State funding are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2012 and 2011.

**Governmental Activities - General and Program Revenues**



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

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

**The District's Funds**

The June 30, 2011 fund balance of the general fund, permanent improvement fund and other governmental funds were restated for fund reclassifications required for the implementation of the Auditor of State Bulletin 2011-004 and for a prior period adjustment required to remove deferred charges for bond issuance costs as an asset in the permanent improvement fund (See note 3.B for detail). The District's governmental funds reported a combined fund balance of \$18,759,644, which is lower than last year's restated total of \$30,200,721. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	(Restated) Fund Balance <u>June 30, 2011</u>	Increase (decrease)	Percentage Change
General	\$ 5,405,872	\$ 6,191,161	\$ (785,289)	(12.68) %
Permanent Improvement	8,966,732	9,757,421	(790,689)	(8.10) %
Classroom Facilities	2,980,309	13,375,699	(10,395,390)	(77.72) %
Other Governmental	<u>1,406,731</u>	<u>876,440</u>	<u>530,291</u>	60.51 %
Total	<u>\$ 18,759,644</u>	<u>\$ 30,200,721</u>	<u>\$ (11,441,077)</u>	(37.88) %

**General Fund**

The District's general fund balance decreased \$785,289 or 12.68%.

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

	2012 <u>Amount</u>	(Restated) 2011 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 3,145,123	\$ 4,250,937	\$ (1,105,814)	(26.01) %
Earnings on investments	117,586	226,800	(109,214)	(48.15) %
Rental Income	90,828	107,652	(16,824)	(15.63) %
Classroom materials and fees	113,183	106,366	6,817	6.41 %
Intergovernmental	9,298,557	9,509,983	(211,426)	(2.22) %
Other revenues	<u>417,159</u>	<u>542,949</u>	<u>(125,790)</u>	(23.17) %
Total	<u>\$ 13,182,436</u>	<u>\$ 14,744,687</u>	<u>\$ (1,562,251)</u>	(10.60) %
<b><u>Expenditures</u></b>				
Instruction	\$ 8,546,233	\$ 8,455,598	\$ 90,635	1.07 %
Support services	4,099,413	3,907,142	192,271	4.92 %
Extracurricular activities	9,366	8,736	630	7.21 %
Debt service	<u>103,069</u>	<u>109,539</u>	<u>(6,470)</u>	(5.91) %
Total	<u>\$ 12,758,081</u>	<u>\$ 12,481,015</u>	<u>\$ 277,066</u>	2.22 %

Tax revenue decreased \$1,105,814 or 26.01% from the prior year. This decrease is due mainly to less tax advances being available to the District at the end of fiscal year 2012. Earnings on investments decreased \$109,214 or 48.15% from the prior year due to lower rates of return on the Districts current

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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portfolio of investments when compared to previous fiscal years. Rent revenue decreased \$16,824 or 15.63% from the prior year due mainly to being able to rent the facilities less during the current OSFC project. Other revenues decreased \$125,790 or 23.17% from the prior fiscal year due mainly to less revenues being received from satellite programs. All other revenues and expenditures remain comparable to the prior year.

***Permanent Improvement Fund***

The permanent improvement fund had \$812,083 in revenues and other financing sources and \$1,602,772 in expenditures. During fiscal year 2012, the permanent improvement fund's restated fund balance decreased \$790,689 from \$9,757,421 to \$8,966,732.

***Classroom Facilities Fund***

The classroom facilities fund had \$7,684,021 in revenues and \$18,079,411 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance decreased \$10,395,390 from \$13,375,699 to \$2,980,309. This decrease was caused by the Districts use of prior year bond proceeds and intergovernmental revenue to construct and renovate buildings as part of an OSFC project.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$13,993,884 and final budgeted revenues and other financing sources were \$14,009,522. Actual revenues and other financing sources for fiscal year 2012 were \$14,102,290. This represents a \$92,768 increase over final budgeted revenues, with intergovernmental - state, earnings on investments, and property taxes comprising most of this increase.

General fund original appropriations (appropriated expenditures including other financing uses) were \$14,749,198 and the final appropriations were \$15,028,196. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$14,505,871, which was \$522,325 less than the final budget appropriations, due to controls on spending.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the District had \$32,381,991 invested in land, construction in progress, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2012 balances compared to 2011:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2012	2011
Land	\$ 795,737	\$ 795,737
Construction in progress	24,560,380	5,225,374
Building and improvements	6,453,787	6,778,356
Furniture, fixtures and equipment	534,992	704,778
Vehicles	37,095	4,807
Total	<u>\$ 32,381,991</u>	<u>\$ 13,509,052</u>

The overall increase in capital assets of \$18,872,939 is due to capital outlays of \$19,499,307 exceeding depreciation expense of \$606,141 and disposals of \$20,227 (net of accumulated depreciation) in the fiscal year.

***Debt Administration***

At June 30, 2012, the District had \$5,105,000 in qualified school construction bond certificates of participation outstanding. Of this total, \$350,000 is due within one year and \$4,755,000 is due in more than one year. The following table summarizes the outstanding debt at year end.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
2010 Certificates of Participation	<u>\$ 5,105,000</u>	<u>\$ 5,450,000</u>

At June 30, 2012, the District's overall legal debt margin was \$258,598,172, and an unvoted debt margin of \$2,873,313.

**Current Financial Related Activities**

The District remains financially stable despite the uncertainty of future State funding. The District is primarily a residential/farming community covering 15 public school districts in nine northwest Ohio counties.

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

The District reached a new labor contract with its certified employees in December 2011 for a three year period ending June 30, 2014.

The District was approved for an Ohio School Facilities construction and renovation project on July 27, 2009. The project's total budget is \$30,537,000 of which the State share is \$18,969,000 and the local share is \$11,568,000. The project was substantially completed in time for occupancy at the beginning of the 2012-2013 school year.

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

**Contacting the District's Financial Management**

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

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

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

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 22,655,701
Cash in segregated accounts . . . . .	146
Receivables:	
Property taxes . . . . .	4,230,439
Accounts. . . . .	81,198
Accrued interest . . . . .	29,995
Intergovernmental . . . . .	1,264,526
Prepayments . . . . .	47,300
Inventory held for resale . . . . .	3,360
Materials and supplies inventory. . . . .	8,906
Unamortized bond issuance costs . . . . .	76,717
Capital assets:	
Land and construction in progress. . . . .	25,356,117
Depreciable capital assets, net. . . . .	7,025,874
Capital assets, net . . . . .	32,381,991
 Total Assets. . . . .	 60,780,279
 <b>Liabilities:</b>	
Accounts payable. . . . .	47,496
Contracts payable. . . . .	3,261,659
Accrued wages and benefits . . . . .	1,028,364
Pension obligation payable. . . . .	158,579
Intergovernmental payable . . . . .	47,068
Unearned revenue . . . . .	3,560,159
Accrued interest payable . . . . .	8,011
Long-term liabilities:	
Due within one year. . . . .	487,543
Due in more than one year. . . . .	5,678,193
 Total Liabilities . . . . .	 14,277,072
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	27,353,708
Restricted for:	
Capital projects . . . . .	13,168,416
Classroom facilities maintenance . . . . .	818,642
State funded programs. . . . .	2,445
Adult education . . . . .	336,675
Expendable trust. . . . .	107,829
Other purposes . . . . .	91,017
Unrestricted. . . . .	4,624,475
 Total Net Assets . . . . .	 \$ 46,503,207

See accompanying notes to the basic financial statements

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

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

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 190,728			\$ (190,728)
Special . . . . .	124,761			(124,761)
Vocational . . . . .	8,766,620	\$ 431,040	\$ 1,011,446	(7,324,134)
Adult/continuing. . . . .	630,340	483,123	204,384	57,167
Support services:				
Pupil. . . . .	659,077		83,494	(575,583)
Instructional staff . . . . .	757,604		132,219	(625,385)
Board of education . . . . .	106,571			(106,571)
Administration. . . . .	926,575		29,395	(897,180)
Fiscal. . . . .	541,286			(541,286)
Operations and maintenance . . . . .	1,373,124	90,828		(1,282,296)
Pupil transportation. . . . .	60,360			(60,360)
Operation of non-instructional services:				
Other non-instructional services . . . . .	66,596		184	(66,412)
Food service operations . . . . .	172,235	72,344	94,974	(4,917)
Extracurricular activities. . . . .	9,366			(9,366)
Interest and fiscal charges . . . . .	120,286			(120,286)
<b>Totals . . . . .</b>	<b>\$ 14,505,529</b>	<b>\$ 1,077,335</b>	<b>\$ 1,556,096</b>	<b>(11,872,098)</b>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				3,064,677
Grants and entitlements not restricted to specific programs . . . . .				8,498,377
Investment earnings . . . . .				196,567
Miscellaneous . . . . .				111,385
<b>Total General Revenues . . . . .</b>				<b>11,871,006</b>
Change in Net Assets . . . . .				(1,092)
<b>Net Assets at Beginning of Year. . . . .</b>				<b>46,504,299</b>
<b>Net Assets at End of Year . . . . .</b>				<b>\$ 46,503,207</b>

See accompanying notes to the basic financial statements

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

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

	General	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 5,972,347	\$ 9,346,059	\$ 5,862,641	\$ 1,474,654	\$ 22,655,701
Cash in segregated accounts . . . . .	146				146
Receivables:					
Property taxes. . . . .	4,230,439				4,230,439
Accounts . . . . .	75,755			5,443	81,198
Intergovernmental. . . . .			1,229,386	35,140	1,264,526
Accrued interest . . . . .	29,995				29,995
Interfund loans . . . . .	25,000				25,000
Prepayments. . . . .	43,027			4,273	47,300
Materials and supplies inventory. . . . .				8,906	8,906
Inventory held for resale . . . . .	3,360				3,360
<b>Total Assets</b> . . . . .	<b>\$ 10,380,069</b>	<b>\$ 9,346,059</b>	<b>\$ 7,092,027</b>	<b>\$ 1,528,416</b>	<b>\$ 28,346,571</b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 43,409			\$ 4,087	\$ 47,496
Contracts payable. . . . .		\$ 379,327	\$ 2,882,332		3,261,659
Accrued wages and benefits. . . . .	960,894			67,470	1,028,364
Pension obligation payable . . . . .	137,152			21,427	158,579
Compensated absences payable . . . . .	30,268				30,268
Interfund loans payable. . . . .				25,000	25,000
Intergovernmental payable . . . . .	43,367			3,701	47,068
Deferred revenue . . . . .	198,948		1,229,386		1,428,334
Unearned revenue. . . . .	3,560,159				3,560,159
<b>Total Liabilities.</b> . . . . .	<b>4,974,197</b>	<b>379,327</b>	<b>4,111,718</b>	<b>121,685</b>	<b>9,586,927</b>
<b>Fund Balances:</b>					
Nonspendable:					
Materials and supplies inventory. . . . .	3,360			8,906	12,266
Prepays. . . . .	43,027			4,273	47,300
Restricted:					
Capital improvements . . . . .			2,980,309		2,980,309
Vocational education. . . . .				107,829	107,829
Adult education . . . . .				378,930	378,930
Classroom facilities maintenance . . . . .				818,642	818,642
Food service operations . . . . .				88,400	88,400
Building construction . . . . .		1,942,110			1,942,110
Committed:					
Student instruction . . . . .	395,344				395,344
Assigned:					
Student instruction . . . . .	245,114				245,114
Student and staff support. . . . .	236,034				236,034
Facilities acquisition and construction. . . . .	16,606				16,606
Debt service . . . . .		5,105,000			5,105,000
Capital improvements . . . . .		1,996,339			1,996,339
Other Purposes . . . . .	155,673				155,673
Unassigned (deficit) . . . . .	4,310,714	(76,717)		(249)	4,233,748
<b>Total Fund Balances</b> . . . . .	<b>5,405,872</b>	<b>8,966,732</b>	<b>2,980,309</b>	<b>1,406,731</b>	<b>18,759,644</b>
<b>Total Liabilities and Fund Balances</b> . . . . .	<b>\$ 10,380,069</b>	<b>\$ 9,346,059</b>	<b>\$ 7,092,027</b>	<b>\$ 1,528,416</b>	<b>\$ 28,346,571</b>

See accompanying notes to the basic financial statements

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

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

<b>Total Governmental Fund Balances</b>		\$	18,759,644
 <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			32,381,991
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	172,149	
Accrued interest receivable		26,799	
Intergovernmental receivable		1,229,386	
Total		1,428,334	1,428,334
Bond issuance costs are not recognized in the funds.			76,717
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(8,011)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Qualified school construction bonds		5,105,000	
Compensated absences		1,030,468	
Total		6,135,468	(6,135,468)
<b>Net Assets of Governmental Activities</b>		\$	46,503,207

*See accompanying notes to the basic financial statements*

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

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

	General	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 3,145,123				\$ 3,145,123
Tuition. . . . .				\$ 486,473	486,473
Earnings on investments . . . . .	117,586		\$ 52,182	256	170,024
Charges for services . . . . .				72,344	72,344
Classroom materials and fees . . . . .	113,183				113,183
Rental income . . . . .	90,828	\$ 12,083			102,911
Contributions and donations . . . . .	3,070				3,070
Contract services. . . . .	131,582				131,582
Other local revenues . . . . .	282,507			1,806	284,313
Intergovernmental - state . . . . .	9,298,557		7,631,839	235,180	17,165,576
Intergovernmental - federal . . . . .				571,171	571,171
<b>Total Revenues . . . . .</b>	<b>13,182,436</b>	<b>12,083</b>	<b>7,684,021</b>	<b>1,367,230</b>	<b>22,245,770</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular. . . . .	191,158				191,158
Special . . . . .	126,125				126,125
Vocational . . . . .	8,228,950			213,406	8,442,356
Adult/continuing . . . . .				622,019	622,019
Support services:					
Pupil . . . . .	565,745			84,026	649,771
Instructional staff . . . . .	623,633			125,128	748,761
Board of education . . . . .	107,707				107,707
Administration . . . . .	858,462			28,600	887,062
Fiscal . . . . .	540,521				540,521
Operations and maintenance . . . . .	1,344,424				1,344,424
Pupil transportation . . . . .	58,921				58,921
Operation of non-instructional services:					
Other non-instructional services . . . . .				173	173
Food service operations. . . . .				173,231	173,231
Extracurricular activities . . . . .	9,366				9,366
Facilities acquisition and construction. . . . .		1,257,772	18,079,411		19,337,183
Debt service:					
Principal retirement. . . . .		345,000			345,000
Interest and fiscal charges . . . . .	103,069				103,069
<b>Total Expenditures . . . . .</b>	<b>12,758,081</b>	<b>1,602,772</b>	<b>18,079,411</b>	<b>1,246,583</b>	<b>33,686,847</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures. . . . .	424,355	(1,590,689)	(10,395,390)	120,647	(11,441,077)
<b>Other Financing Sources (Uses):</b>					
Transfers in. . . . .		800,000		409,644	1,209,644
Transfers (out) . . . . .	(1,209,644)				(1,209,644)
<b>Total Other Financing Sources (Uses) . . . . .</b>	<b>(1,209,644)</b>	<b>800,000</b>		<b>409,644</b>	
Net Change in Fund Balances . . . . .	(785,289)	(790,689)	(10,395,390)	530,291	(11,441,077)
<b>Fund Balances at Beginning of Year (Restated).</b>	<b>6,191,161</b>	<b>9,757,421</b>	<b>13,375,699</b>	<b>876,440</b>	<b>30,200,721</b>
<b>Fund Balances at End of Year. . . . .</b>	<b>\$ 5,405,872</b>	<b>\$ 8,966,732</b>	<b>\$ 2,980,309</b>	<b>\$ 1,406,731</b>	<b>\$ 18,759,644</b>

See accompanying notes to the basic financial statements

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

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

**Net Change in Fund Balances - Total Governmental Funds** \$ (11,441,077)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$	19,499,307	
Current year depreciation		(606,141)	
<b>Total</b>		<b>18,893,166</b>	<b>18,893,166</b>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (20,227)

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

Property taxes		(80,446)	
Tuition		(3,350)	
Earnings on investments		26,799	
Intergovernmental		(7,684,336)	
<b>Total</b>		<b>(7,741,333)</b>	<b>(7,741,333)</b>

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 345,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(Increase) in accrued interest payable		(8,011)	
Amortization of bond issuance costs		(9,206)	
<b>Total</b>		<b>(17,217)</b>	<b>(17,217)</b>

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in Compensated Absences Payable			(19,404)
--	--	--	----------

**Change in Net Assets of Governmental Activities** **\$ (1,092)**

*See accompanying notes to the basic financial statements*

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

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,996,686	\$ 4,001,152	\$ 4,037,458	\$ 36,306
Earnings on investments . . . . .	219,754	220,000	285,460	65,460
Classroom materials and fees . . . . .	85,320	85,415	63,114	(22,301)
Rental income . . . . .	85,145	85,240	88,640	3,400
Other local revenues . . . . .	374,581	375,000	272,401	(102,599)
Intergovernmental - state . . . . .	9,186,449	9,196,715	9,298,557	101,842
<b>Total Revenues . . . . .</b>	<b>13,947,935</b>	<b>13,963,522</b>	<b>14,045,630</b>	<b>82,108</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	196,184	194,928	190,401	4,527
Special. . . . .	130,463	127,952	113,019	14,933
Vocational. . . . .	8,851,189	8,905,107	8,663,875	241,232
Support services:				
Pupil. . . . .	532,347	539,497	534,311	5,186
Instructional staff . . . . .	607,945	609,712	607,282	2,430
Board of education . . . . .	158,029	150,198	110,157	40,041
Administration. . . . .	874,099	861,248	836,201	25,047
Fiscal . . . . .	552,657	559,711	548,831	10,880
Operations and maintenance. . . . .	1,673,249	1,634,000	1,474,232	159,768
Pupil transportation . . . . .	102,803	96,465	80,483	15,982
Extracurricular activities. . . . .	10,000	9,988	9,366	622
Debt service:				
Interest and fiscal charges. . . . .	102,912	103,069	103,069	
<b>Total Expenditures . . . . .</b>	<b>13,791,877</b>	<b>13,791,875</b>	<b>13,271,227</b>	<b>520,648</b>
<b>Excess of Revenues Over Expenditures . . . . .</b>	<b>156,058</b>	<b>171,647</b>	<b>774,403</b>	<b>602,756</b>
<b>Other Financing Sources (Uses):</b>				
Refund of prior year's expenditures . . . . .			8,633	8,633
Transfers (out). . . . .	(911,321)	(1,211,321)	(1,209,644)	1,677
Advances in. . . . .	45,949	46,000	31,000	(15,000)
Advances (out) . . . . .	(46,000)	(25,000)	(25,000)	
Sale of capital assets . . . . .			17,027	17,027
<b>Total Other Financing Sources (Uses) . . . . .</b>	<b>(911,372)</b>	<b>(1,190,321)</b>	<b>(1,177,984)</b>	<b>12,337</b>
<b>Net Change in Fund Balance . . . . .</b>	<b>(755,314)</b>	<b>(1,018,674)</b>	<b>(403,581)</b>	<b>615,093</b>
<b>Fund Balance at Beginning of Year . . . . .</b>	<b>4,625,842</b>	<b>4,625,842</b>	<b>4,625,842</b>	
<b>Prior Year Encumbrances Appropriated . . . . .</b>	<b>739,761</b>	<b>739,761</b>	<b>739,761</b>	
<b>Fund Balance at End of Year . . . . .</b>	<b>\$ 4,610,289</b>	<b>\$ 4,346,929</b>	<b>\$ 4,962,022</b>	<b>\$ 615,093</b>

See accompanying notes to the basic financial statements

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

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

		<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$	44,337
Receivables:		
Accounts . . . . .		111
Prepayments . . . . .		35
 Total Assets. . . . .	 \$	 44,483
 <b>Liabilities:</b>		
Accounts payable. . . . .	\$	488
Due to students. . . . .		43,995
 Total Liabilities . . . . .	 \$	 44,483

*See accompanying notes to the basic financial statements*

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

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

**NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Vanguard-Sentinel Career and Technology Centers (the "District") are a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The District operates under an appointed Board of Education consisting of 15 members. Each participating exempted village, local and city school district with the exception of Fremont City School District has one representative on the Board of Education; Fremont City School District has two representatives on the Board. The District provides educational services as authorized by State statute and/or Federal guidelines.

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

The District serves an area of approximately 1600 square miles with an enrollment of 1,016 students. The District employed 13 administrative and supervisory personnel, 88 certificated employees and 32 non-certificated employees.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for

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

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

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

the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-eight area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among members. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of a dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions.

The NOECA assembly consists of a superintendent from each participating school and representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating schools are located. The degree of control exercised by any participating school is limited to its representation on the Board. The District paid \$25,072 to NOECA for services during fiscal year 2012. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

*INSURANCE POOLS*

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP) was established as a group purchasing pool.

The Executive Director of OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

San-Ott Schools Employee Welfare Benefit Association

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association (the "Association"), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$250,000 and aggregate claims in excess of 120 percent of expected claims.

**B. Basis of Presentation and Measurement Focus**

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

*FIDUCIARY FUNDS*

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

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

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

**D. Basis of Accounting**

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

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and tuition and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the governmental funds.

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

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

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

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

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

**E. Budgetary Process**

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

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

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

**F. Cash and Investments**

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

During fiscal year 2012, investments were limited to non-negotiable certificates of deposit, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), and federal agency

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$117,586, which includes \$81,160 assigned from other District funds.

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

**G. Prepayments**

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

**H. Inventory**

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

Inventory consists of resale supplies and donated and purchased food.

**I. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2012, the balance in the budget stabilization reserve was \$615,909. This amount is included in unassigned fund balance of the general fund and in unrestricted net assets on the statement of net assets.

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

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

**J. Capital Assets**

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

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

All capital assets, except land 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>
Buildings and Building Improvements	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	5 years

**K. Interfund Balances**

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

**L. Compensated Absences**

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

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

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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

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

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

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

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed through enabling legislation through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include amounts restricted for food service operations and budget stabilization.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2012, none of the Districts net assets were restricted by enabling legislation on the statement of net assets.

**O. Fund Balance**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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

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

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

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

**P. Interfund Activity**

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

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

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

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

**R. Estimates**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications and Accounting Change**

Fund reclassifications are required in order to report the uniform school supplies fund and the rotary special services fund as components of the general fund in accordance with AOS Bulletin 2011-004. An accounting change is required to remove the deferred charges for bond issuance costs as an asset in the permanent improvement fund. These fund reclassifications and accounting change had the following effect on the District's governmental fund balances as previously reported:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 6,010,541	\$ 9,843,344	\$ 13,375,699	\$ 1,057,060	\$ 30,286,644
Fund reclassifications:					
Uniform school supplies	8,875			(8,875)	
Customer Service	<u>171,745</u>			<u>(171,745)</u>	
Total fund reclassifications	<u>180,620</u>			<u>(180,620)</u>	
Accounting change:					
Deferred charges		<u>(85,923)</u>			<u>(85,923)</u>
Restated fund balance at July 1, 2011	<u>\$ 6,191,161</u>	<u>\$ 9,757,421</u>	<u>\$ 13,375,699</u>	<u>\$ 876,440</u>	<u>\$ 30,200,721</u>

The fund reclassifications and accounting change did not have an effect on net assets as previously reported.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At year-end, the District had \$146 in change funds on hand which is included on the financial statements of the District as part of "cash in segregated accounts."

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$21,699,869. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$12,349,921 of the District's bank balance of \$21,935,297 was exposed to custodial risk as discussed below, while \$9,585,376 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2012, the District had the following investments and maturity:

<u>Fair Value</u>	<u>Investment Maturities</u>	
	<u>6 months or less</u>	<u>19 to 24 months</u>
\$ 149	\$ 149	
1,000,020		\$ 1,000,020
\$ 1,000,169	\$ 149	\$ 1,000,020

The weighted average maturity of investments is 1.99 years.

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

*Credit Risk:* The District's investments in federal agency securities were rated AA+ and Aaa by Moody's Investor Services and Standard & Poor's, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

service. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

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

*Concentration of Credit Risk:* The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 149	0.01
FFCB	1,000,020	99.99
Total	<u>\$ 1,000,169</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 21,699,869
Investments	1,000,169
Cash on hand	<u>146</u>
Total	<u>\$ 22,700,184</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 22,655,847
Agency funds	<u>44,337</u>
Total	<u>\$ 22,700,184</u>

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

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

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2012 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ <u>25,000</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

- B. Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	<u>Amount</u>
Permanent improvement	\$ 800,000
Classroom facilities maintenance (a nonmajor governmental fund)	409,321
Special trust (a nonmajor governmental fund)	<u>323</u>
Total	<u>\$ 1,209,644</u>

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

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 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 District receives property taxes from nine counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$498,131 in the general fund. The amount available for advance at June 30, 2011 was \$1,390,466 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 2,712,351,660	95.68	\$ 2,745,126,490	95.54
Public utility personal	<u>122,493,520</u>	<u>4.32</u>	<u>128,186,530</u>	<u>4.46</u>
Total	<u>\$ 2,834,845,180</u>	<u>100.00</u>	<u>\$ 2,873,313,020</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$1.60		\$1.60	

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Property taxes	\$ 4,230,439
Accounts	81,198
Accrued interest	29,995
Intergovernmental	<u>1,264,526</u>
Total	<u>\$ 5,606,158</u>

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

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/12</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 795,737			\$ 795,737
Construction in progress	<u>5,225,374</u>	\$ 19,335,006		<u>24,560,380</u>
Total nondepreciable capital assets	<u>6,021,111</u>	<u>19,335,006</u>		<u>25,356,117</u>
Depreciable capital assets:				
Buildings and building improvements	16,063,205			16,063,205
Furniture, fixtures and equipment	4,222,311	119,788	\$ (257,681)	4,084,418
Vehicles	<u>556,757</u>	<u>44,513</u>	<u>(20,573)</u>	<u>580,697</u>
Total depreciable capital assets	<u>20,842,273</u>	<u>164,301</u>	<u>(278,254)</u>	<u>20,728,320</u>
Less: accumulated depreciation				
Buildings and building improvements	(9,284,849)	(324,569)		(9,609,418)
Furniture, fixtures and equipment	(3,517,533)	(269,347)	237,454	(3,549,426)
Vehicles	<u>(551,950)</u>	<u>(12,225)</u>	<u>20,573</u>	<u>(543,602)</u>
Total accumulated depreciation	<u>(13,354,332)</u>	<u>(606,141)</u>	<u>258,027</u>	<u>(13,702,446)</u>
Governmental activities capital assets, net	<u>\$ 13,509,052</u>	<u>\$ 18,893,166</u>	<u>\$ (20,227)</u>	<u>\$ 32,381,991</u>

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Vocational	\$ 464,981
Adult/continuing	9,861
<u>Support services:</u>	
Pupil	7,067
Administration	15,498
Fiscal	11,793
Operations and maintenance	26,285
Pupil transportation	1,612
Operation of non-instructional services	66,423
Food service operations	<u>2,621</u>
Total depreciation expense	<u>\$ 606,141</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

During fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
2010 Certificates of participation	\$ 5,450,000		\$ (345,000)	\$ 5,105,000	\$ 350,000
Compensated absences	<u>1,011,064</u>	<u>\$ 120,478</u>	<u>(70,806)</u>	<u>1,060,736</u>	<u>137,543</u>
Total long-term obligations, governmental activities	<u>\$ 6,461,064</u>	<u>\$ 120,478</u>	<u>\$ (415,806)</u>	<u>\$ 6,165,736</u>	<u>\$ 487,543</u>

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

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

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

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

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 350,000	\$ 96,135	\$ 446,135
2014	355,000	89,261	444,261
2015	365,000	82,241	447,241
2016	370,000	75,075	445,075
2017	375,000	67,811	442,811
2018 - 2022	1,995,000	224,982	2,219,982
2023 - 2025	1,295,000	38,172	1,333,172
Total	<u>\$ 5,105,000</u>	<u>\$ 673,677</u>	<u>\$ 5,778,677</u>

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

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$258,598,172 and an unvoted debt margin of \$2,873,313.

**NOTE 10 - RISK MANAGEMENT**

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

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

**NOTE 10 - RISK MANAGEMENT - (Continued)**

Coverage provided by Governmental Underwriters of America, Inc.

Buildings and Contents - replacement costs (\$1,000 deductible)	\$ 61,190,980
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Commercial Auto Coverage

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

General Liability

Bodily Injury and Property Damage	3,000,000
Products/Completed Operations	3,000,000
Personal and Advertising Injury	1,000,000
Each Occurrence Limit	1,000,000
Damage to Premises Rented to You	500,000
Employers Benefits	Included

Educators' Legal Liability

Each Wrongful Act	1,000,000
Annual Aggregate	3,000,000
Excess Liability Each Occurrence/Annual Aggregate	4,000,000

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

For fiscal year 2012, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm CompManagement, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 11 - PENSION PLANS - (Continued)**

East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$188,608, \$170,109 and \$175,477, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 11 - PENSION PLANS - (Continued)**

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$862,954, \$883,552 and \$906,072, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$29,048 made by the District and \$20,748 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$29,774, \$42,203 and \$27,051, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$11,138, \$10,947 and \$10,435, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$66,381, \$67,965 and \$69,698, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred eighty-five days for teachers and two hundred sixty days for classified and administrative personnel. Upon retirement, payment is made for twenty-eight percent (28%) of the value of employee's accrued but unused sick leave days. Employees must have seven years of service in the District.

**B. Health Care Benefits**

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

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

	<u>General fund</u>
Budget basis	\$ (403,581)
Net adjustment for revenue accruals	(1,028,914)
Net adjustment for expenditure accruals	(87,302)
Net adjustment for other sources/uses	(31,660)
Funds budgeted elsewhere	(34,765)
Adjustment for encumbrances	800,933
GAAP basis	<u>\$ (785,289)</u>

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

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

On July 30, 2012, the Delventhal Company, Millbury, Ohio filed a suit in the Court of Common Pleas of Sandusky County, Ohio naming Keystone Foundation Systems, LLC, Sylvania, Ohio and the Vanguard-Sentinel Career & Technology Centers as defendants. Delventhal is a second tier subcontractor on the Ohio School Facilities Commission building project that is under construction in the District. Keystone Foundation Systems is a first tier subcontractor.

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

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

**NOTE 15 – CONTINGENCIES - (Continued)**

The suit is seeking damages from Keystone and is also demanding that the District make payment of \$109,362 to Delventhal out of escrowed funds withheld from the general contractor, Cold Harbor Building Company, Chardon, Ohio as the result of a Public Project Attested Account Claim, under R.C. 1311.26. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**NOTE 16 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	
Current year set-aside requirement	\$ 186,271
Current year qualifying expenditures	<u>(186,271)</u>
Total	<u>\$</u>
Balance carried forward to fiscal year 2013	<u>\$</u>
Set-aside balance June 30, 2012	<u>\$</u>

In prior fiscal years, the District issued \$5,783,812 in capital related school improvement notes. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from note proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of note proceeds that may be used as an offset in future periods, which was \$5,783,812 at June 30, 2012.

**NOTE 17 - OTHER COMMITMENTS**

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

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

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

**NOTE 17 - OTHER COMMITMENTS - (Continued)**

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 756,277
Permanent improvement	2,609,026
Classroom facilities	3,626,206
Other governmental	<u>15,084</u>
 Total	 <u>\$ 7,006,593</u>

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2012, the District has commitments with the following companies for the construction project.

	<u>Contract Amount</u>	<u>Amount Paid as of June 30, 2012</u>	<u>Amount Remaining on Contract</u>
KF Construction	\$ 977,644	\$ 725,687	\$ 251,957
VM Systems	1,839,276	1,828,956	10,320
Mosser Construction	2,004,858	2,002,120	2,738
Brint Electric	1,664,544	1,656,548	7,996
Marlin White	532,323	532,323	
S.A. Comunale (Sentinel)	280,112	279,835	277
Cold Harbor	7,948,912	5,173,197	2,775,715
Warner Mechanical	4,375,444	2,935,273	1,440,171
Vaughn Industries	3,404,020	2,339,242	1,064,778
S.A. Comunale (Vanguard)	271,700	150,813	120,887
Midwest Environmental	142,386	39,995	102,391
Netech Corporation	714,989	491,347	223,642
Lake Erie Electric (Round Building)	45,500		45,500
The Spieker Co. (Round Building)	453,600		453,600
M&B Asphalt	220,650		220,650
CRT Technologies	462,600		462,600
Anese Masonry	15,000		15,000
Tom Sexton & Associates	253,363		253,363
School Specialty	16,597		16,597
Martin Public Seating	74,650		74,650
Vaughn Industries (Round Building)	197,000		197,000
All Aspects (Demo)	191,000		191,000
Clouse Electric (Button Up)	17,582		17,582
Warner Mechanical (Button Up)	79,349		79,349
KF Construction (Button Up)	234,628		234,628
 Total	 <u>\$ 26,417,727</u>	 <u>\$ 18,155,336</u>	 <u>\$ 8,262,391</u>

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

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

**NOTE 18 - CONTRACTUAL COMMITMENTS - (Continued)**

The District and the Ohio School Facilities Commission (OSFC) entered into a Master Facilities Plan that calls for the addition of approximately 69,000 square feet to the present Tech Center and the renovation of the present Tech Center and Sentinel District. The OSFC currently estimates the total budget for the project is \$30,536,509. To date the District has expended approximately \$21,306,173 for related costs.

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

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through the Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555	\$ 15,890	\$ 15,890
Cash Assistance		67,963	67,963
Total National School Lunch Program		83,853	83,853
School Breakfast Program	10.553	26,597	26,597
Total U.S. Department of Agriculture - Nutrition Cluster		<b>110,450</b>	<b>110,450</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Direct Program:</i>			
Federal Pell Grant Program	84.063	148,231	148,231
<i>Passed through the Ohio Department of Education:</i>			
Adult Education State Grant Program	84.002	112,762	105,416
Career and Technical Education - Basic Grants to States	84.048	322,993	304,471
Improving Teacher Quality State Grants	84.367	9,762	9,766
Total U. S. Department of Education		<b>593,748</b>	<b>567,884</b>
<b>Total Federal Awards Receipt and Expenditure Schedule</b>		<b>\$ 704,198</b>	<b>\$ 678,334</b>

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipt and Expenditure Schedule (the Schedule) reports Vanguard-Sentinel Career and Technology Centers (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.

**NOTE C - FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 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 matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 20, 2013.

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

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

**Dave Yost**  
Auditor of State

February 20, 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

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

To the Board of Education:

### Compliance

We have audited the compliance of Vanguard-Sentinel Career and Technology Centers, Sandusky 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 the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. 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*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, Vanguard-Sentinel Career and Technology Centers complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

### 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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

[www.ohioauditor.gov](http://www.ohioauditor.gov)

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

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

We intend this report solely for the information and use of 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

February 20, 2013

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

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

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 12, 2013**