



Dave Yost • Auditor of State

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Delaware Area Career Center
Delaware County
4565 Columbus Pike
Delaware, Ohio 43015

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Delaware Area Career Center, Delaware County, Ohio (the Career Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Career Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware Area Career Center, Delaware County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report November 25, 2014, on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Career Center's internal control over financial reporting and compliance.



Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor
Columbus, Ohio

November 25, 2014

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**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The management's discussion and analysis of the Delaware Area Career Center's (the "Career Center") financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Career Center'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 Career Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$4,627,965, which represents a 10.57% increase from fiscal year 2013.
- Governmental activities' general revenues accounted for \$16,090,340 in revenue or 83.00% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,295,762 in revenue or 17.00% of total revenues of \$19,386,102.
- The Career Center had \$14,758,137 in expenses related to governmental activities; only \$3,295,762 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,090,340 were adequate to provide for these programs.
- The Career Center's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$16,165,903 in revenues and \$12,910,754 in expenditures and other financing uses. The general fund's fund balance increased \$3,255,149 from \$22,997,016 to \$26,252,165.
- The permanent improvement fund had \$2,133,663 in revenues and other financing sources and \$3,426,365 in expenditures. The permanent improvement fund's fund balance decreased \$1,292,702 from \$6,875,426 to \$5,582,724.

Using the Basic Financial Statements (BFS)

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

The statement of net position and statement of activities provide information about the activities of the whole Career Center, presenting both an aggregate view of the Career Center'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 Career Center's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Career Center, the general fund and the permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Reporting the Career Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did the Career Center do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Career Center's net position and changes in net position. This change in net position is important because it tells the reader that, for the Career Center as a whole, the financial position of the Career Center 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 Career Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

The Career Center's statement of net position and statement of activities can be found on pages 16-17 of this report.

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

The analysis of the Career Center's major governmental funds begins on page 11. Fund financial reports provide detailed information about the Career Center's major funds. The Career Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Career Center's most significant funds. The Career Center's major governmental funds are the general fund and the permanent improvement fund.

Governmental Funds

Most of the Career Center'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 that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Career Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Reporting the Career Center's Fiduciary Responsibilities

The Career Center is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The Career Center also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units, and/or other funds. These activities are reported in agency funds. All of the Career Center's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 23-24. These activities are excluded from the Career Center's other financial statements because the assets cannot be utilized by the Career Center to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

The Career Center as a Whole

The statement of net position provides the perspective of the Career Center as a whole.

The table below provides a summary of the Career Center's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets	\$ 41,488,086	\$ 40,050,696
Capital assets, net	<u>17,059,247</u>	<u>14,569,418</u>
Total assets	<u>58,547,333</u>	<u>54,620,114</u>
<u>Liabilities</u>		
Current liabilities	1,074,825	984,544
Long-term liabilities	<u>1,552,824</u>	<u>1,412,863</u>
Total liabilities	<u>2,627,649</u>	<u>2,397,407</u>
<u>Deferred Inflows of Resources</u>	<u>7,487,395</u>	<u>8,418,383</u>
<u>Net Position</u>		
Net investment in capital assets	16,994,124	14,443,781
Restricted	4,030,594	5,625,246
Unrestricted	<u>27,407,571</u>	<u>23,735,297</u>
Total net position	<u>\$ 48,432,289</u>	<u>\$ 43,804,324</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Career Center's assets exceeded liabilities and deferred inflows of resources by \$48,432,289.

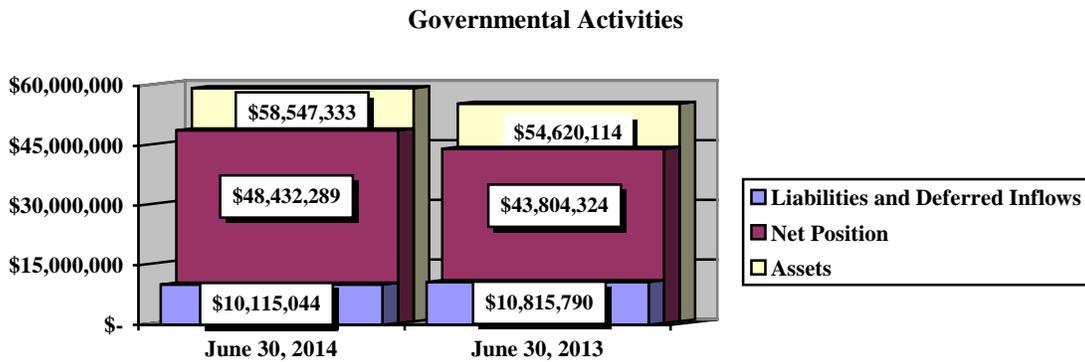
**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

At fiscal year end, capital assets represented 29.14% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The Career Center's net investment in capital assets at June 30, 2014 was \$16,994,124. These capital assets are used to provide services to the students and are not available for future spending. Although the Career Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Career Center's net position, \$4,030,594, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$27,407,571 may be used to meet the Career Center's ongoing obligations to the students and creditors.

The graph below illustrates the Career Center's assets, liabilities and deferred inflows of resources, and net position at June 30, 2014 and June 30, 2013.



The table below shows the changes in net position for governmental activities for fiscal years 2014 and 2013.

Change in Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,253,251	\$ 2,200,847
Operating grants and contributions	1,042,511	832,670
General revenues:		
Property taxes	11,699,365	11,249,596
Grants and entitlements	3,872,628	3,830,873
Payment in lieu of taxes	8,009	9,029
Investment earnings	171,954	145,422
Increase (decrease) in fair value of investments	114,573	(173,439)
Miscellaneous	223,811	63,068
Total revenues	<u>19,386,102</u>	<u>18,158,066</u>

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 1,132,095	\$ 1,085,006
Special	158,801	254,315
Vocational	5,448,847	5,716,143
Adult/continuing	1,036,887	1,095,774
Other	107,428	106,955
Support services:		
Pupil	1,345,528	1,308,490
Instructional staff	1,160,203	1,149,438
Board of education	92,079	129,671
Administration	1,169,971	1,165,440
Fiscal	741,254	726,211
Operations and maintenance	1,737,957	1,718,932
Pupil transportation	33,245	30,601
Central	281,887	263,301
Operation of non-instructional services:		
Other non-instructional services	22,740	21,637
Food service operations	264,126	229,679
Extracurricular activities	21,134	14,609
Interest and fiscal charges	3,955	5,384
Total expenses	<u>14,758,137</u>	<u>15,021,586</u>
Change in net position	4,627,965	3,136,480
Net position at beginning of year	<u>43,804,324</u>	<u>40,667,844</u>
Net position at end of year	<u>\$ 48,432,289</u>	<u>\$ 43,804,324</u>

Governmental Activities

Net position of the Career Center's governmental activities increased \$4,627,965. Total governmental expenses of \$14,758,137 were offset by program revenues of \$3,295,762 and general revenues of \$16,090,340. Program revenues supported 22.33% of the total governmental expenses.

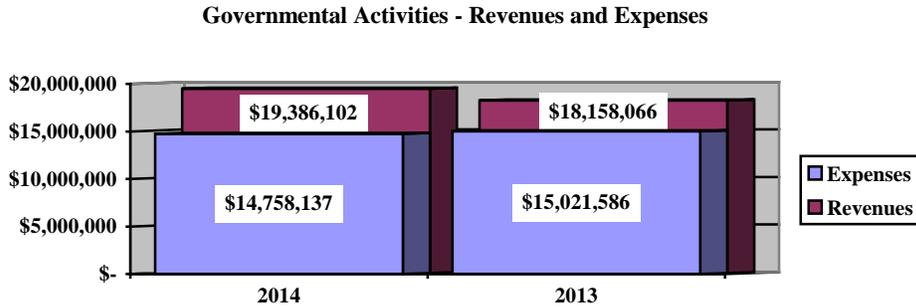
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 80.33% of total governmental revenue. Real estate property is reappraised every six years. Operating grants and contributions revenue increased during fiscal year 2014 primarily due to an increase in federal funding related to adult basic education and other miscellaneous federal grants. Miscellaneous revenue also increased during fiscal year 2014 mainly due to receipts from Delaware County that were the result of an operating surplus at the Delaware County Auditor's Office.

The largest expense of the Career Center is for instructional programs. Instruction expenses totaled \$7,884,058 or 53.42% of total governmental expenses for fiscal year 2014.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graph below presents the Career Center's governmental activities revenues and expenses for fiscal years 2014 and 2013.



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 years 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues.

Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses:				
Instruction:				
Regular	\$ 1,132,095	\$ 1,014,821	\$ 1,085,006	\$ 1,029,896
Special	158,801	158,801	254,315	254,315
Vocational	5,448,847	3,642,005	5,716,143	4,042,374
Adult/continuing	1,036,887	166,475	1,095,774	260,279
Other	107,428	107,428	106,955	106,955
Support services:				
Pupil	1,345,528	1,264,984	1,308,490	1,259,718
Instructional staff	1,160,203	975,939	1,149,438	964,562
Board of education	92,079	92,079	129,671	129,671
Administration	1,169,971	1,131,459	1,165,440	1,122,212
Fiscal	741,254	726,429	726,211	708,773
Operations and maintenance	1,737,957	1,720,322	1,718,932	1,696,634
Pupil transportation	33,245	33,245	30,601	30,601
Central	281,887	274,430	263,301	247,236
Operation of non-instructional services:				
Other non-instructional services	22,740	22,740	21,637	21,637
Food service operations	264,126	106,331	229,679	93,842
Extracurricular activities	21,134	20,932	14,609	13,980
Interest and fiscal charges	3,955	3,955	5,384	5,384
Total expenses	<u>\$ 14,758,137</u>	<u>\$ 11,462,375</u>	<u>\$ 15,021,586</u>	<u>\$ 11,988,069</u>

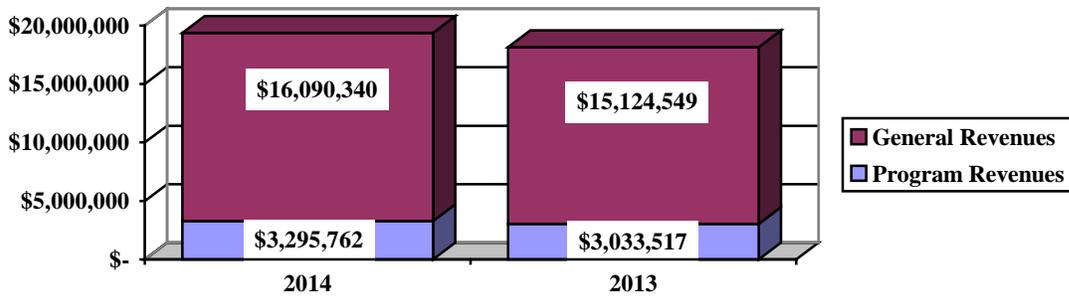
**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The dependence upon taxes and other general revenues for governmental activities is apparent, as 64.55% of fiscal year 2014 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 77.67% in fiscal year 2014. The Career Center's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the Career Center's students.

The graph below presents the Career Center's governmental activities revenue for fiscal years 2014 and 2013.

Governmental Activities - General and Program Revenues



The Career Center's Funds

The Career Center's governmental funds reported a combined fund balance of \$32,063,442, which is more than last year's total balance of \$30,185,867. The table below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase/ <u>(Decrease)</u>
General	\$ 26,252,165	\$ 22,997,016	\$ 3,255,149
Permanent Improvement	5,582,724	6,875,426	(1,292,702)
Nonmajor Governmental	<u>228,553</u>	<u>313,425</u>	<u>(84,872)</u>
Total	<u>\$ 32,063,442</u>	<u>\$ 30,185,867</u>	<u>\$ 1,877,575</u>

General Fund

The Career Center's general fund balance increased \$3,255,149.

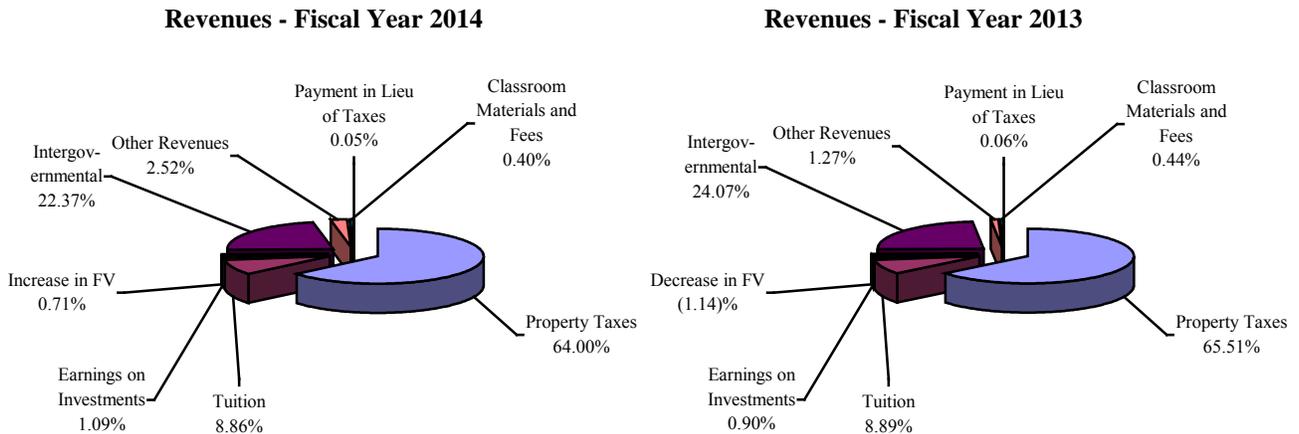
**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table that follows assists in illustrating the revenues of the general fund.

<u>Revenues</u>	<u>2014 Amount</u>	<u>2013 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Property taxes	\$ 10,345,722	\$ 9,924,206	\$ 421,516	4.25 %
Tuition	1,432,424	1,347,464	84,960	6.31 %
Earnings on investments	176,995	136,130	40,865	30.02 %
Increase (decrease) in fair value of investments	114,573	(173,439)	288,012	166.06 %
Classroom materials and fees	63,422	65,944	(2,522)	(3.82) %
Payment in lieu of taxes	8,009	9,029	(1,020)	(11.30) %
Intergovernmental	3,616,946	3,646,602	(29,656)	(0.81) %
Other revenues	407,812	192,711	215,101	111.62 %
Total	\$ 16,165,903	\$ 15,148,647	\$ 1,017,256	6.72 %

Overall revenues of the general fund increased \$1,017,256 or 6.72%. Earnings on investments and the change in fair value of investments both experienced increases during fiscal year 2014 due to the improving performance of the Career Center's investment accounts. Other revenues increased \$215,101 or 111.62% primarily due to significant receipts from Delaware County that were the result of an operating surplus at the Delaware County Auditor's Office. All other revenue classifications of the Career Center remained comparable to the prior fiscal year.



**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

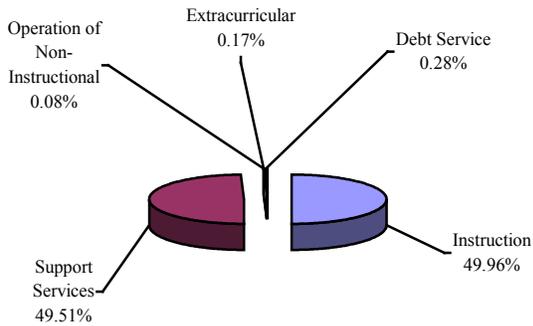
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table that follows assists in illustrating the expenditures of the general fund.

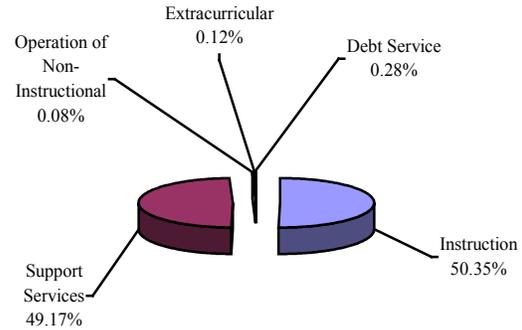
	2014 <u>Amount</u>	2013 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 6,073,519	\$ 6,115,483	\$ (41,964)	(0.69) %
Support services	6,020,185	5,971,957	48,228	0.81 %
Operation of non-instructional services	9,630	9,228	402	4.36 %
Extracurricular activities	21,134	14,609	6,525	44.66 %
Debt service	34,229	34,229	-	- %
Total	<u>\$ 12,158,697</u>	<u>\$ 12,145,506</u>	<u>\$ 13,191</u>	0.11 %

Overall expenditures of the general fund increased \$13,191 or 0.11%. All expenditure classifications of the Career Center remained comparable to the prior fiscal year.

Expenditures - Fiscal Year 2014



Expenditures - Fiscal Year 2013



Permanent Improvement Fund

The permanent improvement fund had \$2,133,663 in revenues and other financing sources and \$3,426,365 in expenditures. The permanent improvement fund's fund balance decreased \$1,292,702 from \$6,875,426 to \$5,582,724. This decrease in fund balance is mainly attributable to an increase in capital asset acquisition costs incurred during fiscal year 2014.

General Fund Budgeting Highlights

The Career Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Career Center uses site-based budgeting, and the budgeting systems are designed to tightly control total site budgets while still providing flexibility for site management. The most significant budgeted fund is the general fund.

For the general fund, final budgeted revenues and other financing sources were \$14,382,256, which were \$1,500 more than original budget estimates of \$14,380,756. Actual revenues and other financing sources of \$15,259,319 were \$877,063 more than final budgeted revenues and other financing sources.

**DELAWARE AREA CAREER CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

General fund original appropriations (expenditures and other financing uses) of \$13,880,649 were \$287,404 more than final budget estimates \$13,593,245. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$13,270,997, which was \$322,248 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

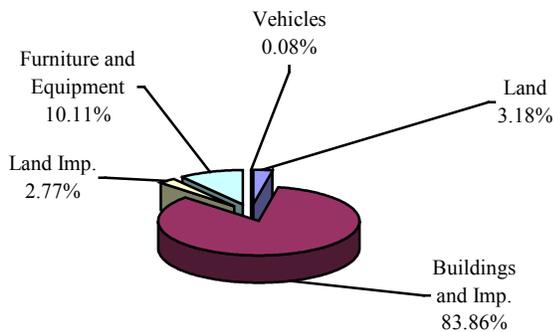
At the end of fiscal year 2014, the Career Center had \$17,059,247 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The total amount was reported in governmental activities. The following table shows June 30, 2014 balances compared to June 30, 2013.

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

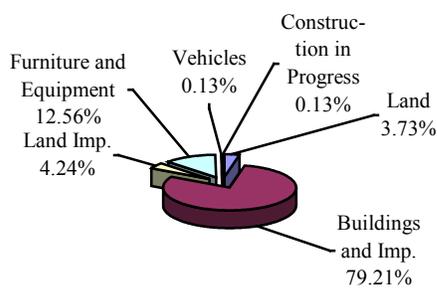
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 542,956	\$ 542,956
Land improvements	472,073	618,019
Buildings and improvements	14,306,522	11,539,936
Furniture and equipment	1,724,339	1,830,035
Vehicles	13,357	18,926
Construction in progress	-	19,546
Total	<u>\$ 17,059,247</u>	<u>\$ 14,569,418</u>

The following graphs show the breakdown of governmental activities capital assets by category for fiscal years 2014 and 2013.

Capital Assets - Governmental Activities 2014



Capital Assets - Governmental Activities 2013



The overall increase in capital assets of \$2,489,829 is due to capital asset additions of \$3,240,275 exceeding depreciation expense of \$750,446. See Note 8 to the basic financial statements for additional information on the Career Center's capital assets.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Debt Administration

At June 30, 2014, the Career Center had \$65,123 in capital lease obligations outstanding. Of this total, \$31,774 is due within one year and \$33,349 is due in more than one year. The following table summarizes the long-term obligations outstanding at June 30, 2014 and June 30, 2013.

Outstanding Debt, at Year End

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Capital lease obligations	\$ <u>65,123</u>	\$ <u>95,397</u>

At June 30, 2014, the Career Center's overall legal debt margin was \$450,211,013, with an unvoted debt margin of \$5,002,345.

See Note 10 to the basic financial statements for additional information on the Career Center's debt administration.

Current Financial Related Activity

Currently, the Career Center is financially stable. The Career Center agreed on a three-year agreement in calendar year 2014 with its union that included lowering the amount of insurance funding required by the Board of Education.

The Career Center renewed a 1.3 mill operating levy and a 0.4 mill permanent improvement levy in November of 2006. This ten-year levy should provide funding for the Career Center to operate until 2016 (the year the levy expires).

Contacting the Career Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Career Center's finances and to show the Career Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Christopher H. Bell, Treasurer, Delaware Area Career Center, 4565 Columbus Pike, Delaware, Ohio 43015-8969.

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**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 29,766,954
Receivables:	
Property taxes	11,068,624
Accounts.	77,245
Accrued interest.	26,133
Intergovernmental	370,755
Loans receivable.	102,873
Prepayments	51,196
Materials and supplies inventory.	24,306
Capital assets:	
Nondepreciable capital assets	542,956
Depreciable capital assets, net.	16,516,291
Capital assets, net.	17,059,247
Total assets.	58,547,333
Liabilities:	
Accounts payable.	161,756
Accrued wages and benefits payable.	725,189
Pension obligation payable.	97,625
Intergovernmental payable.	90,255
Long-term liabilities:	
Due within one year.	509,250
Due in more than one year.	1,043,574
Total liabilities.	2,627,649
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	7,487,395
Total deferred inflows of resources.	7,487,395
Net position:	
Net investment in capital assets	16,994,124
Restricted for:	
Capital projects	3,609,982
State funded programs.	9,012
Federally funded programs	81,581
Other purposes	330,019
Unrestricted	27,407,571
Total net position.	\$ 48,432,289

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 1,132,095	\$ 3,154	\$ 114,120	\$ (1,014,821)
Special	158,801	-	-	(158,801)
Vocational	5,448,847	1,684,095	122,747	(3,642,005)
Adult/continuing	1,036,887	443,475	426,937	(166,475)
Other	107,428	-	-	(107,428)
Support services:				
Pupil	1,345,528	-	80,544	(1,264,984)
Instructional staff	1,160,203	233	184,031	(975,939)
Board of education	92,079	-	-	(92,079)
Administration	1,169,971	7,399	31,113	(1,131,459)
Fiscal	741,254	10,383	4,442	(726,429)
Operations and maintenance	1,737,957	16,979	656	(1,720,322)
Pupil transportation	33,245	-	-	(33,245)
Central	281,887	-	7,457	(274,430)
Operation of non-instructional services:				
Other non-instructional services	22,740	-	-	(22,740)
Food service operations	264,126	87,331	70,464	(106,331)
Extracurricular activities	21,134	202	-	(20,932)
Interest and fiscal charges	3,955	-	-	(3,955)
Total governmental activities	\$ 14,758,137	\$ 2,253,251	\$ 1,042,511	(11,462,375)
General revenues:				
Property taxes levied for:				
General purposes				10,257,316
Capital projects				1,442,049
Grants and entitlements not restricted				
to specific programs				3,872,628
Payment in lieu of taxes				8,009
Investment earnings				171,954
Increase in fair value of investments				114,573
Miscellaneous				223,811
Total general revenues				16,090,340
Change in net position				4,627,965
Net position at beginning of year				43,804,324
Net position at end of year				\$ 48,432,289

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 24,036,229	\$ 5,179,103	\$ 551,622	\$ 29,766,954
Receivables:				
Property taxes	9,704,754	1,363,870	-	11,068,624
Accounts	1,752	-	75,493	77,245
Accrued interest	26,133	-	-	26,133
Intergovernmental	-	-	370,755	370,755
Interfund loans	302,085	-	-	302,085
Loans receivable	102,873	-	-	102,873
Prepayments	42,186	-	9,010	51,196
Materials and supplies inventory	22,564	-	1,742	24,306
Total assets	<u>\$ 34,238,576</u>	<u>\$ 6,542,973</u>	<u>\$ 1,008,622</u>	<u>\$ 41,790,171</u>
Liabilities:				
Accounts payable	\$ 60,957	\$ 9,930	\$ 90,869	\$ 161,756
Accrued wages and benefits payable	671,789	-	53,400	725,189
Compensated absences payable	78,200	-	13,503	91,703
Retirement incentive payable	273,000	-	-	273,000
Interfund loans payable	-	-	302,085	302,085
Intergovernmental payable	39,291	-	50,964	90,255
Pension obligation payable	87,343	-	10,282	97,625
Total liabilities	<u>1,210,580</u>	<u>9,930</u>	<u>521,103</u>	<u>1,741,613</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	6,564,334	923,061	-	7,487,395
Delinquent property tax revenue not available	194,353	27,258	-	221,611
Accrued interest not available	17,144	-	-	17,144
Other nonexchange transactions not available	-	-	233,737	233,737
Tuition revenue not available	-	-	25,229	25,229
Total deferred inflows of resources	<u>6,775,831</u>	<u>950,319</u>	<u>258,966</u>	<u>7,985,116</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	22,564	-	1,742	24,306
Prepays	42,186	-	9,010	51,196
Restricted:				
Capital improvements	-	3,582,724	-	3,582,724
Adult education	-	-	301,777	301,777
Food service operations	-	-	21,694	21,694
Other purposes	-	-	2,350	2,350
Committed:				
Capital improvements	-	2,000,000	-	2,000,000
Assigned:				
Student instruction	68,135	-	-	68,135
Student and staff support	253,083	-	-	253,083
School supplies	39,356	-	-	39,356
Wellness activities	12,829	-	-	12,829
Other purposes	105,034	-	-	105,034
Unassigned (deficit)	25,708,978	-	(108,020)	25,600,958
Total fund balances	<u>26,252,165</u>	<u>5,582,724</u>	<u>228,553</u>	<u>32,063,442</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,238,576</u>	<u>\$ 6,542,973</u>	<u>\$ 1,008,622</u>	<u>\$ 41,790,171</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances	\$	32,063,442
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,059,247
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Property taxes receivable	\$ 221,611	
Accounts receivable	25,229	
Accrued interest receivable	17,144	
Intergovernmental receivable	<u>233,737</u>	
Total		497,721
Long-term liabilities, including capital lease obligations payable, are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligations payable	(65,123)	
Compensated absences payable	<u>(1,122,998)</u>	
Total		<u>(1,188,121)</u>
Net position of governmental activities	\$	<u><u>48,432,289</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 10,345,722	\$ 1,454,418	\$ -	\$ 11,800,140
Tuition	1,432,424	-	284,878	1,717,302
Earnings on investments	176,995	-	-	176,995
Increase in fair value of investments	114,573	-	-	114,573
Charges for services	-	-	87,331	87,331
Extracurricular	715	-	-	715
Classroom materials and fees	63,422	-	48,698	112,120
Rental income	15,446	-	-	15,446
Contributions and donations	397	-	18,289	18,686
Contract services	191,403	-	113,392	304,795
Other local revenues	199,851	23,563	40,289	263,703
Payment in lieu of taxes	8,009	-	-	8,009
Intergovernmental - state	3,616,946	255,682	193,970	4,066,598
Intergovernmental - federal	-	-	586,037	586,037
Total revenues	<u>16,165,903</u>	<u>1,733,663</u>	<u>1,372,884</u>	<u>19,272,450</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,031,661	-	72,916	1,104,577
Special	158,801	-	-	158,801
Vocational	4,775,629	194,649	121,305	5,091,583
Adult/continuing	-	-	1,031,463	1,031,463
Other	107,428	-	-	107,428
Support services:				
Pupil	1,259,041	-	81,010	1,340,051
Instructional staff	965,879	-	184,770	1,150,649
Board of education	89,447	-	-	89,447
Administration	1,164,998	3,093	39,533	1,207,624
Fiscal	673,964	20,769	18,749	713,482
Operations and maintenance	1,565,284	51,784	2,768	1,619,836
Pupil transportation	33,245	-	-	33,245
Central	268,327	-	7,500	275,827
Operation of non-instructional services:				
Other non-instructional services	9,630	-	-	9,630
Food service operations	-	-	249,799	249,799
Extracurricular activities	21,134	-	-	21,134
Facilities acquisition and construction	-	3,156,070	-	3,156,070
Debt service:				
Principal retirement	30,274	-	-	30,274
Interest and fiscal charges	3,955	-	-	3,955
Total expenditures	<u>12,158,697</u>	<u>3,426,365</u>	<u>1,809,813</u>	<u>17,394,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,007,206</u>	<u>(1,692,702)</u>	<u>(436,929)</u>	<u>1,877,575</u>
Other financing sources (uses):				
Transfers in	-	400,000	352,057	752,057
Transfers (out)	(752,057)	-	-	(752,057)
Total other financing sources (uses)	<u>(752,057)</u>	<u>400,000</u>	<u>352,057</u>	<u>-</u>
Net change in fund balances	3,255,149	(1,292,702)	(84,872)	1,877,575
Fund balances at beginning of year	22,997,016	6,875,426	313,425	30,185,867
Fund balances at end of year	\$ 26,252,165	\$ 5,582,724	\$ 228,553	\$ 32,063,442

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$ 1,877,575

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

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

Capital asset additions	\$ 3,240,275	
Current year depreciation	<u>(750,446)</u>	
Total		2,489,829

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

Property taxes	(100,775)	
Tuition	15,542	
Earnings on investments	(5,041)	
Other local revenues	(403)	
Intergovernmental revenue	<u>204,329</u>	
Total		113,652

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net position. 30,274

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of financial resources and therefore are not reported as expenditures in governmental funds. 116,635

Change in net position of governmental activities \$ 4,627,965

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 9,400,631	\$ 9,400,631	\$ 9,437,885	\$ 37,254
Tuition	1,074,070	1,075,570	1,432,424	356,854
Earnings on investments	193,723	193,723	175,939	(17,784)
Classroom materials and fees	1,000	1,000	1,394	394
Rental income	15,790	15,790	15,446	(344)
Other local revenues	30,000	30,000	46,326	16,326
Payment in lieu of taxes	8,010	8,010	8,009	(1)
Intergovernmental - state	3,502,532	3,502,532	3,616,946	114,414
Total revenues	<u>14,225,756</u>	<u>14,227,256</u>	<u>14,734,369</u>	<u>507,113</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,092,167	1,077,591	1,070,159	7,432
Special	221,984	196,899	196,383	516
Vocational	4,837,635	4,460,081	4,410,911	49,170
Other	111,540	107,554	107,234	320
Support services:				
Pupil	1,307,034	1,282,856	1,237,174	45,682
Instructional staff	1,089,959	989,867	974,017	15,850
Board of education	114,643	137,443	134,388	3,055
Administration	1,242,799	1,202,461	1,185,666	16,795
Fiscal	758,165	681,258	676,786	4,472
Operations and maintenance	1,780,960	1,714,626	1,692,855	21,771
Pupil transportation	35,727	35,529	33,245	2,284
Central	357,819	273,805	272,242	1,563
Operation of non-instructional services:				
Other non-instructional services	7,000	10,000	9,630	370
Extracurricular activities	16,160	18,300	16,115	2,185
Total expenditures	<u>12,973,592</u>	<u>12,188,270</u>	<u>12,016,805</u>	<u>171,465</u>
Excess of revenues over expenditures	<u>1,252,164</u>	<u>2,038,986</u>	<u>2,717,564</u>	<u>678,578</u>
Other financing sources (uses):				
Refund of prior year's expenditures	5,000	5,000	213,859	208,859
Transfers (out)	(757,057)	(842,518)	(842,057)	461
Advances in	150,000	150,000	311,091	161,091
Advances (out)	(150,000)	(562,457)	(412,135)	150,322
Total other financing sources (uses)	<u>(752,057)</u>	<u>(1,249,975)</u>	<u>(729,242)</u>	<u>520,733</u>
Net change in fund balance	500,107	789,011	1,988,322	1,199,311
Fund balance at beginning of year	21,253,267	21,253,267	21,253,267	-
Prior year encumbrances appropriated	293,604	293,604	293,604	-
Fund balance at end of year	<u>\$ 22,046,978</u>	<u>\$ 22,335,882</u>	<u>\$ 23,535,193</u>	<u>\$ 1,199,311</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 14,853	\$ 89,999
Receivables:		
Accounts	-	20
Intergovernmental	-	102,881
	14,853	\$ 192,900
Total assets	14,853	\$ 192,900
Liabilities:		
Accounts payable	-	\$ 5,189
Intergovernmental payable	-	616
Loans payable	-	102,873
Undistributed monies	-	6,660
Due to students	-	77,562
	-	\$ 192,900
Total liabilities	-	\$ 192,900
Net position:		
Held in trust for scholarships	14,853	
Total net position	\$ 14,853	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$ 2,461
Deductions:	
Scholarships awarded	1,000
Change in net position	1,461
Net position at beginning of year	13,392
Net position at end of year	\$ 14,853

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - DESCRIPTION OF THE CAREER CENTER

The Delaware Area Career Center (the "Career Center") is a distinct political subdivision of the State of Ohio operated under the direction of a Board of Education (the "Board") consisting of one representative from each of the participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The Career Center exposes students to job training skills leading to employment upon graduation from high school.

The Career Center was established in 1972. The Career Center serves Delaware County and other surrounding counties. It is staffed by 39 classified employees, 63 certified teaching personnel, and 14 administrative employees who provide services to 1,096 students and other community members. The Career Center currently operates two instructional/administration buildings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Career Center 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 Career Center's significant accounting policies are described below.

A. Reporting Entity

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

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

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The following organizations are described due to their relationship to the Career Center:

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association (TRECA)

The Career Center is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of TRECA consists of one representative from each county, elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the Superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2014, the Career Center paid \$38,163 to TRECA for various services. Financial information can be obtained from Mike Carder, Director, at 100 Executive Drive, Marion, Ohio 43302.

Metropolitan Education Council (MEC)

The Metropolitan Education Council (MEC) is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and the surrounding areas by cooperative action membership. The Governing Board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the Governing Board. MEC is its own fiscal agent.

Central Ohio Regional Professional Development Center

The Central Ohio Regional Professional Development Center (the "Center") is a jointly governed organization among the school districts in Delaware, Licking, Franklin, Madison, Pickaway, and Union Counties. The Center was formed to advance the State Board of Education's mission that all students can learn by creating a high performance system of education. The Center's purpose is to provide long-term ongoing meaningful professional development for all education and school support personnel. The Center is governed by a twenty-two member Board made up of representatives from the participating school districts, the business community, and three institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Hugh Garside, Southwestern City School District, 2975 Kingston Avenue, Grove City, Ohio 43123.

Work Force Preparation Regional Council of Governments

The Work Force Preparation Regional Council of Governments (the "Council") is a jointly governed organization formed to apply for, administer, and deliver services in member districts pursuant to the Jobs for Ohio's Graduates (JOG) program and related, or similar, State and federal programs. The Council consists of fifteen members, three of which are representatives of the Career Center. The Council is supported by financial and in-kind contributions from its members, and from other revenue sources, including financial support received from the Career Center.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The Career Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan

The Ohio School Plan (the "Plan") is a shared liability, property and fleet insurance risk pool, which is governed by a Board of thirteen school Superintendents, Business Managers and Treasurers. Harcum-Schuett, the insurance agency, has one Board seat. OSBA, BASA, and OASBO Executive Directors serve as ex-officio members. There are 450 educational entities served by the Plan. The Plan's Board elects officers for one year terms to serve as the Board of Directors. The Board of Directors exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Harcum-Schuett Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

B. Fund Accounting

The Career Center 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 Career Center activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The Career Center has no proprietary funds.

GOVERNMENTAL FUNDS

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the Career Center's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent improvement fund - The permanent improvement capital projects fund accounts for levy collections used for the acquisition, construction, or improvement of capital facilities.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Career Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Career Center's own programs. The private-purpose trust fund accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Career Center's agency funds account for student activities, sales tax activities, and grant programs for which the Career Center acts as fiscal agent.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the Career Center 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 Career Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Career Center. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Career Center.

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

Fund Financial Statements - Fund financial statements report detailed information about the Career Center. 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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

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

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 on the fund financial statements. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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 Career Center, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Career Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Career Center 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, payment in lieu of taxes, interest, tuition, grants, student fees and rentals.

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the Career Center that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the Career Center that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the timing requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

Unearned Revenues - Revenues received during fiscal year 2014 resulting from exchange transactions for which the Career Center has yet to provide the requisite services as of June 30, 2014 have been recorded as unearned revenue on both the government-wide and fund financial statements. The Career Center had no unearned revenues to report as of June 30, 2014.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the fiscal year is reported in the financial statements as an expense 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. Budgets

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

The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Delaware County Budget Commission for tax rate determination.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the Career Center must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the Career Center Treasurer.

The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2014.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2014.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

F. Cash and Investments

To improve cash management, cash received by the Career Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Career Center'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 2014, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government money markets, federal agency securities, negotiable certificates of deposit, and nonnegotiable certificates of deposit.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

The Career Center has invested funds in STAR Ohio during fiscal year 2014. 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, 2014.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$176,995, which includes \$38,949 assigned from other Career Center 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 Career Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

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

Inventories consist of donated food, purchased food, and non-food supplies.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Career Center maintains its capitalization threshold at \$2,500. 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. The Career Center does not possess infrastructure.

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	25 years
Buildings and improvements	10 - 100 years
Furniture and equipment	5 - 70 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable” and “loans receivable/payable”. The “interfund loans receivable/payable” balance is eliminated in the governmental activities column on the statement of net position. The “loans receivable/payable” balance is reported in both the government-wide and fund financial statements for amounts due to/from agency funds.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at 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. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Career Center Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Career Center 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 Career Center 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 Career Center 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.

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

The Career Center 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.

M. Net Position

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

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported in the financial statements 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. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

O. Estimates

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

P. Interfund Activity

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

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the Career Center has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Career Center.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Adult high school	\$ 371
Adult basic education	29,270
Vocational education	59,420
Miscellaneous federal grants	18,700

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are a result of adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as an other financing source.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Career Center 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 Career Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At fiscal year end, the Career Center had \$502 in undeposited cash on hand, which is included on the financial statements of the Career Center as part of “equity in pooled cash and investments”.

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all Career Center deposits was \$12,767,101. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$3,134,211 of the Career Center’s bank balance of \$13,122,175 was exposed to custodial credit risk as discussed below, while \$9,987,964 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Career Center’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 Career Center. The Career Center 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 Career Center to a successful claim by the FDIC.

C. Investments

As of June 30, 2014, the Career Center had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>Greater Than 24 Months</u>
Negotiable CD's	\$ 5,292,340	\$ 451,760	\$ 421,406	\$ 251,570	\$ 598,115	\$ 3,569,489
FNMA	4,849,334	-	-	-	-	4,849,334
FHLMC	1,999,510	-	-	-	-	1,999,510
FHLB	2,925,095	-	-	-	-	2,925,095
U.S. Government money market	37,714	37,714	-	-	-	-
STAR Ohio	2,000,210	2,000,210	-	-	-	-
Total	\$ 17,104,203	\$ 2,489,684	\$ 421,406	\$ 251,570	\$ 598,115	\$ 13,343,428

The weighted average maturity of investments is 2.91 years.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Career Center's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The U.S. Government money market was rated AAAM by Standard & Poor's. The negotiable certificates of deposit are not rated. The Career Center's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

Concentration of Credit Risk: The Career Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Career Center at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 5,292,340	30.95
FNMA	4,849,334	28.35
FHLMC	1,999,510	11.69
FHLB	2,925,095	17.10
U.S. Government money market	37,714	0.22
STAR Ohio	<u>2,000,210</u>	<u>11.69</u>
Total	<u>\$ 17,104,203</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 12,767,101
Investments	17,104,203
Cash on hand	<u>502</u>
Total	<u>\$ 29,871,806</u>

**DELAWARE AREA CAREER CENTER
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 29,766,954
Private-purpose trust fund	14,853
Agency funds	<u>89,999</u>
Total	<u>\$ 29,871,806</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 302,085</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 in the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the statement of net position.

- B. Loans between governmental funds and agency funds are reported as loans receivable/payable on the financial statements. The Career Center had the following loan outstanding at June 30, 2014:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Agency fund	<u>\$ 102,873</u>

This loan is expected to be repaid within one year, as resources become available in the agency fund.

- C. Interfund transfers for the year ended June 30, 2014 consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Permanent improvement fund	\$ 400,000
Nonmajor governmental funds	<u>352,057</u>
Total	<u>\$ 752,057</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.

All transfers during fiscal year 2014 were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5704.16.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the Career Center fiscal year runs from July through June. First half tax collections are received by the Career Center 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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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 Career Center receives property taxes from Delaware, Franklin, Morrow, Union, and Marion Counties. The County Auditors periodically advance to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$2,946,067 in the general fund and \$413,551 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$2,038,230 in the general fund and \$286,044 in the permanent improvement 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, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 4,787,459,960	97.21	\$ 4,858,109,520	97.12
Public utility personal	<u>137,508,280</u>	<u>2.79</u>	<u>144,235,070</u>	<u>2.88</u>
Total	<u>\$ 4,924,968,240</u>	<u>100.00</u>	<u>\$ 5,002,344,590</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$	3.20	\$	3.20

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 11,068,624
Accounts	77,245
Accrued interest	26,133
Intergovernmental	<u>370,755</u>
Total	<u>\$ 11,542,757</u>

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

**DELAWARE AREA CAREER CENTER
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2014</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 542,956	\$ -	\$ -	\$ 542,956
Construction in progress	<u>19,546</u>	<u>15,637</u>	<u>(35,183)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>562,502</u>	<u>15,637</u>	<u>(35,183)</u>	<u>542,956</u>
Capital assets, being depreciated:				
Land improvements	1,466,969	27,496	-	1,494,465
Buildings and improvements	14,789,919	3,043,337	-	17,833,256
Furniture and equipment	4,470,051	188,988	-	4,659,039
Vehicles	<u>288,928</u>	<u>-</u>	<u>-</u>	<u>288,928</u>
Total capital assets, being depreciated	<u>21,015,867</u>	<u>3,259,821</u>	<u>-</u>	<u>24,275,688</u>
Less: accumulated depreciation:				
Land improvements	(848,950)	(173,442)	-	(1,022,392)
Buildings and improvements	(3,249,983)	(276,751)	-	(3,526,734)
Furniture and equipment	(2,640,016)	(294,684)	-	(2,934,700)
Vehicles	<u>(270,002)</u>	<u>(5,569)</u>	<u>-</u>	<u>(275,571)</u>
Total accumulated depreciation	<u>(7,008,951)</u>	<u>(750,446)</u>	<u>-</u>	<u>(7,759,397)</u>
Governmental activities capital assets, net	<u>\$ 14,569,418</u>	<u>\$ 2,525,012</u>	<u>\$ (35,183)</u>	<u>\$ 17,059,247</u>

**DELAWARE AREA CAREER CENTER
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 36,448
Vocational	403,455
Adult/continuing	9,029
Support services:	
Pupil	4,944
Instructional staff	8,847
Board of education	2,632
Administration	22,230
Fiscal	340
Operations and maintenance	227,345
Central	5,948
Other non-instructional services	13,110
Food service operations	<u>16,118</u>
Total depreciation expense	<u>\$ 750,446</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the Career Center entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement.

Capital assets consisting of copier equipment have been capitalized in the amount of \$151,726. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 for this equipment was \$75,863, leaving a current book value of \$75,863. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2014 totaled \$30,274 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 34,229
2016	<u>34,230</u>
Total minimum lease payments	68,459
Less: amount representing interest	<u>(3,336)</u>
Total	<u>\$ 65,123</u>

**DELAWARE AREA CAREER CENTER
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS

- A. The changes in the Career Center's long-term obligations during fiscal year 2014 consist of the following:

	Balance			Balance	Amounts
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>Due in</u>
					<u>One Year</u>
Governmental activities:					
Compensated absences	\$ 1,317,466	\$ 185,581	\$ (288,346)	\$ 1,214,701	\$ 204,476
Retirement incentives	-	273,000	-	273,000	273,000
Capital lease obligations	<u>95,397</u>	<u>-</u>	<u>(30,274)</u>	<u>65,123</u>	<u>31,774</u>
Total governmental activities					
long-term obligations	<u>\$ 1,412,863</u>	<u>\$ 458,581</u>	<u>\$ (318,620)</u>	<u>\$ 1,552,824</u>	<u>\$ 509,250</u>

The compensated absences will be paid from the fund from which the employee is paid, which for the Career Center is primarily the general fund, the adult education fund (a nonmajor governmental fund), and the vocational education fund (a nonmajor governmental fund).

During fiscal year 2014, the Career Center offered a one-time retirement incentive to its classified staff in the form of a lump-sum payment of \$39,000. The retirement incentive was only available to classified employees that agreed to retire effective July 1, 2014 and had been actively employed by the Career Center since January 1, 2000 or earlier. The Career Center had seven employees take advantage of the retirement incentive, which is to be paid in its entirety during fiscal year 2015 from the general fund.

The capital lease obligations will be paid from the general fund. See Note 9 for details.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the Career Center shall never exceed 9% of the total assessed valuation of the Career Center. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Career Center. 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 Career Center. The assessed valuation used in determining the Career Center'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 Career Center'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, 2014, are a voted debt margin of \$450,211,013 and an unvoted debt margin of \$5,002,345.

**DELAWARE AREA CAREER CENTER
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

For fiscal year 2014, the Career Center participated in the Ohio School Plan (the “Plan”), an insurance purchasing pool (Note 2.A). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The Career Center 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 2014, the Career Center obtained the following insurance coverage:

Coverage provided by Ohio School Plan is as follows:

Automobile Liability	\$ 2,000,000
General School Career Center Liability	
Per Occurrence	3,000,000
Total Per Year	5,000,000
Buildings and Contents	32,310,379

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.

B. Workers’ Compensation Plan

The Career Center participates in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (the “GRP”), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the Career Center 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 of CompManagement, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

C. Health Care Benefits

The Career Center offers health insurance to most employees through United Healthcare. Dental insurance, vision insurance, and life insurance are also offered through various vendors to Career Center employees. The employees share the cost of the monthly premium with the Board of Education. The premium varies with each employee depending on marital and family status.

**DELAWARE AREA CAREER CENTER
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14 percent of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 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 14 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 Career Center's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$328,683, \$320,632 and \$294,698, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The Career Center 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, 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.

**DELAWARE AREA CAREER CENTER
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Career Center 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Career Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$730,784, \$728,146 and \$748,418, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$53,144 made by the Career Center and \$41,756 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, 2014 certain members of the Board of Education have elected Social Security. The Career Center's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Career Center 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 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, under "Employers/Audit Resources".

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 13- POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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 Career Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$7,422, \$23,475 and \$38,829, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Career Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$19,069, \$18,112 and \$17,403, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The Career Center 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, 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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Career Center's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$56,214, \$56,011 and \$57,571, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, expenditures and changes in fund balance - budget 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);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,988,322
Net adjustment for revenue accruals	1,173,996
Net adjustment for expenditure accruals	(236,832)
Net adjustment for other sources/uses	(22,815)
Funds budgeted elsewhere	(19,907)
Adjustment for encumbrances	372,385
GAAP basis	<u>\$ 3,255,149</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and wellness fund, as well as portions of the public school support fund, rotary fund and district agency fund.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - SET-ASIDES

The Career Center 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 and other applicable offsets 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, 2013	\$ -
Current year set-aside requirement	94,258
Current year offsets	<u>(1,982,593)</u>
Total	<u>\$ (1,888,335)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - COMMITMENTS

The Career Center 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 Career Center's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year End Encumbrances</u>
General	\$ 340,639
Permanent improvement	532,800
Nonmajor governmental funds	<u>119,099</u>
 Total	 <u><u>\$ 992,538</u></u>

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

**THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Expenditures
Program Title			
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 6,732	\$ 6,732
Cash Assistance			
School Breakfast Program	10.553	13,125	13,125
National School Lunch Program	10.555	50,150	50,150
		<u>70,007</u>	<u>70,007</u>
Total U.S. Department of Agriculture			
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Adult Education - Basic Grants to States	84.002	187,146	159,359
Career and Technical Education - Basic Grants to States	84.048	254,850	287,057
Rural Education	84.358	64,312	39,591
Improving Teacher Quality State Grants	84.367	2,360	4,275
Race to the Top	84.395	350	-
		<u>509,018</u>	<u>490,282</u>
Total U.S. Department of Education			
Total		<u><u>\$ 579,025</u></u>	<u><u>\$ 560,289</u></u>

The accompanying notes are an integral part of this schedule.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Delaware Area Career Center (the Career Center's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



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

Delaware Area Career Center
Delaware County
4565 Columbus Pike
Delaware, Ohio 43015

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware Area Career Center, Delaware County, (the Career Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Career Center'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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Robert R. Hinkle". The signature is written in a cursive, flowing style.

Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor
Columbus, Ohio

November 25, 2014



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

Delaware Area Career Center
Delaware County
4565 Columbus Pike
Delaware, Ohio 43015

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Delaware Area Career Center's (the Career Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Delaware Area Career Center's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Career Center's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Delaware Area Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor
Columbus, Ohio

November 25, 2014

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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DELAWARE AREA CAREER CENTER

DELAWARE 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
DECEMBER 18, 2014**