



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

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

**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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 3, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The management's discussion and analysis of the Stark County Area Vocational School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities decreased \$169,017 which represents a 1.16% decrease from fiscal year 2013.
- General revenues accounted for \$5,787,971 in revenue or 72.22% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$2,226,853 or 27.78% of total revenues of \$8,014,824.
- The District had \$8,183,841 in expenses related to governmental activities; \$2,226,853 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 \$5,787,971 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,489,588 in revenues and \$8,611,027 in expenditures. During fiscal year 2014, the general fund's fund balance decreased \$1,121,439 from a balance of \$9,550,510 to \$8,429,071.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net 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 15-19 of this report.

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

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-46 of this report.

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

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

**The District as a Whole**

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

The table below provides a summary of the District's net position for 2014 and 2013.

	<b>Net Position</b>	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 11,911,489	\$ 12,612,759
Capital assets, net	<u>6,459,922</u>	<u>5,584,054</u>
Total assets	<u>18,371,411</u>	<u>18,196,813</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,136,650	888,303
Long-term liabilities	<u>917,926</u>	<u>840,881</u>
Total liabilities	<u>2,054,576</u>	<u>1,729,184</u>
<b><u>Deferred inflows of resources</u></b>	<u>1,947,955</u>	<u>1,929,732</u>
<b><u>Net position</u></b>		
Net investment in capital assets	6,253,134	5,584,054
Restricted	25,937	23,519
Unrestricted	<u>8,089,809</u>	<u>8,930,324</u>
Total net position	<u>\$ 14,368,880</u>	<u>\$ 14,537,897</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$14,368,880. Of this total, \$8,089,809 is unrestricted in use.

Overall, both assets and liabilities increased. The decrease in current and other assets, and a corresponding increase in capital assets, is mostly a result of decreased cash balances as the District makes payments for work completed on various capital improvement projects. Current liabilities increased due to contracts payable on the construction projects and accrued wages and benefits. The District's only obligation reported as a long-term liability is compensated absences, which represents the District's estimated liability for employee sick and vacation leave.

At year-end, capital assets represented 35.16% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. These capital assets are used to provide services to the students and are not available for future spending.

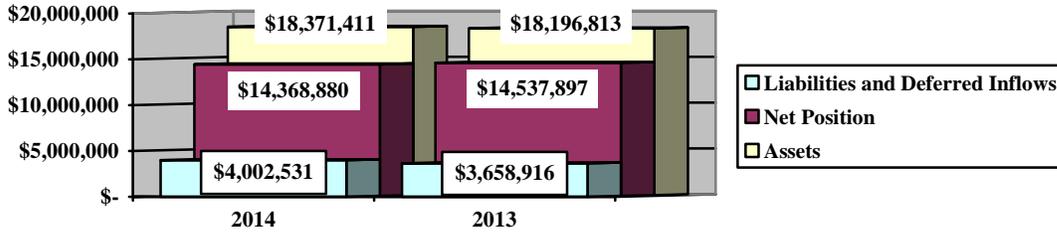
A portion of the District's net position, \$25,937, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$8,089,809 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below illustrates the District's governmental activities assets, liabilities and deferred inflows and net position at June 30, 2014 and 2013.

**Governmental Activities**



The table below shows the change in net position for fiscal year 2014 and 2013.

**Change in Net Position**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,304,316	\$ 323,767
Operating grants and contributions	922,537	642,421
General revenues:		
Property taxes	2,141,229	2,114,746
Grants and entitlements	3,529,381	4,405,178
Investment earnings	88,819	17,154
Miscellaneous	<u>28,542</u>	<u>41,895</u>
Total revenues	<u>8,014,824</u>	<u>7,545,161</u>

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

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

**Change in Net Position - (Continued)**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 1,026,664	\$ 952,318
Special	277,787	211,867
Vocational	3,307,055	3,143,069
Adult/continuing	34,805	52,134
Other	240	148
Support services:		
Pupil	887,986	962,087
Instructional staff	585,888	565,961
Board of education	15,790	19,492
Administration	335,660	343,078
Fiscal	255,749	218,021
Business	36,464	43,465
Operations and maintenance	851,421	848,095
Central	176,802	157,530
Operation of non-instructional services:		
Food service operations	313,881	299,115
Other non-instructional services	1,424	-
Extracurricular activities	<u>76,225</u>	<u>54,560</u>
Total expenses	<u>8,183,841</u>	<u>7,870,940</u>
Change in net position	(169,017)	(325,779)
Net position at beginning of year	<u>14,537,897</u>	<u>14,863,676</u>
Net position at end of year	<u>\$ 14,368,880</u>	<u>\$ 14,537,897</u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$169,017. Total governmental expenses of \$8,183,841 were offset by program revenues of \$2,226,853 and general revenues of \$5,787,971. Program revenues supported 27.21% of the total governmental expenses.

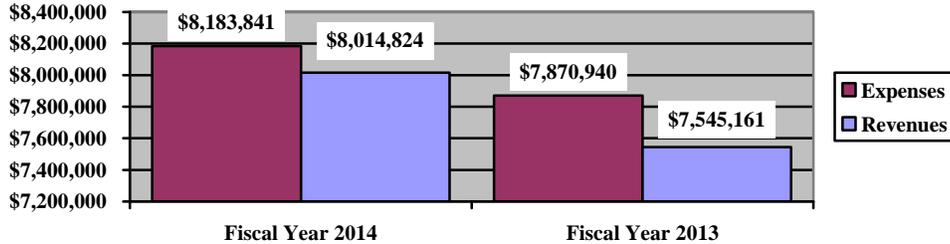
As the preceding table shows, the primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 70.75% of total governmental revenue. The significant increase in charges for services and sales and decrease in general revenues - grants and entitlements is due to the District reclassifying open enrollment revenue as tuition. The increase in operating grants and contributions is primarily a result of additional special education funding from the State.

The largest expense of the District is for instructional programs, primarily vocational instruction. Instruction expenses totaled \$4,646,551 or 56.78% of total governmental expenses for fiscal year 2014. Total expenses increased slightly, mostly due to accruals for wages and benefits. The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

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

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

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
<b>Program expenses</b>				
Instruction:				
Regular	\$ 1,026,664	\$ 1,026,664	\$ 952,318	\$ 952,318
Special	277,787	176,358	211,867	116,160
Vocational	3,307,055	1,625,589	3,143,069	2,706,311
Adult/continuing	34,805	(3,527)	52,134	21,759
Other	240	240	148	148
Support services:				
Pupil	887,986	806,381	962,087	888,038
Instructional staff	585,888	585,718	565,961	562,124
Board of education	15,790	15,790	19,492	19,492
Administration	335,660	335,660	343,078	343,078
Fiscal	255,749	255,749	218,021	218,021
Business	36,464	36,464	43,465	43,465
Operations and maintenance	851,421	823,557	848,095	806,519
Central	176,802	176,802	157,530	157,530
Operations of non-instructional services:				
Food service operations	313,881	17,894	299,115	15,229
Other non-instructional services	1,424	1,424	-	-
Extracurricular activities	76,225	76,225	54,560	54,560
<b>Total expenses</b>	<u>\$ 8,183,841</u>	<u>\$ 5,956,988</u>	<u>\$ 7,870,940</u>	<u>\$ 6,904,752</u>

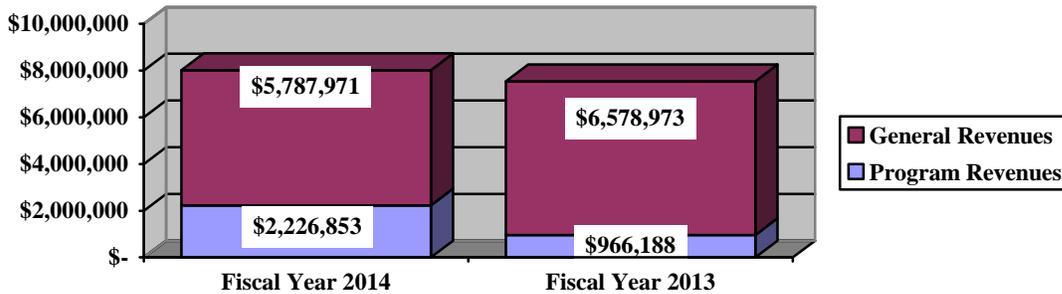
**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The dependence upon tax and other general revenues for governmental activities is apparent; 60.80% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.79%. The District's taxes and intergovernmental revenues, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$8,498,536, which is less than last year's total of \$9,627,751. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	(Decrease)	Percentage Change
General	\$ 8,429,071	\$ 9,550,510	\$ (1,121,439)	(11.74) %
Nonmajor governmental	69,465	77,241	(7,776)	(10.07) %
Total	<u>\$ 8,498,536</u>	<u>\$ 9,627,751</u>	<u>\$ (1,129,215)</u>	(11.73) %

**General Fund**

The District's general fund balance decreased \$1,121,439 or 11.74%. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

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

	2014 <u>Amount</u>	2013 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,135,869	\$ 2,113,823	\$ 22,046	1.04 %
Earnings on investments	86,530	20,396	66,134	324.25 %
Intergovernmental	4,114,012	4,733,161	(619,149)	(13.08) %
Tuition	985,140	-	985,140	100.00 %
Other revenues	<u>168,037</u>	<u>177,441</u>	<u>(9,404)</u>	(5.30) %
Total	<u>\$ 7,489,588</u>	<u>\$ 7,044,821</u>	<u>\$ 444,767</u>	6.31 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,453,360	\$ 4,139,310	\$ 314,050	7.59 %
Support services	2,928,495	3,001,492	(72,997)	(2.43) %
Non-instructional services	1,424	-	1,424	100.00 %
Extracurricular activities	76,225	54,560	21,665	39.71 %
Facilities acquisition and construction	<u>1,151,523</u>	<u>197,653</u>	<u>953,870</u>	482.60 %
Total	<u>\$ 8,611,027</u>	<u>\$ 7,393,015</u>	<u>\$ 1,218,012</u>	16.48 %

Overall, both revenues and expenditures for the general fund increased in fiscal year 2014. As discussed on page 7, the District reclassified tuition revenue in fiscal year 2014, which had been classified as intergovernmental revenue in the prior year. Another significant change in revenue is an increase in special education funding from the State in fiscal year 2014 which resulted in additional intergovernmental revenue of approximately \$256,000.

Most of the increase in general fund expenditures is reflected in facilities acquisition and construction, which represents expenditures for the District's on-going construction projects. In addition, there was a slight increase in overall wages and benefits expenditures in fiscal year 2014.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2014, the District amended its general fund budget several times. General fund original appropriations totaled \$8,100,880, and were increased to \$9,722,516 in the final appropriations. Budgeted expenditures for capital outlay were increased \$1,375,750 throughout the year to account for a facilities improvement project. The actual budget basis expenditures for fiscal year 2014 totaled \$9,462,183, which was lower than the final budget appropriations by \$260,333. Actual budget basis capital outlay expenditures were \$209,727 less than the final budget due to the District's conservative budgeting policy in accounting for contingencies in the budgeted cost for a project.

Original budgeted revenues and other financing sources of \$7,106,000 were increased to \$7,230,002 in the final budget. Actual revenues and other financing sources for fiscal year 2014 were \$7,346,018, which represents a \$116,016 increase from final budgeted revenues. The most significant variances between the final budget and actual revenues were for tuition and intergovernmental - state revenues. This is mostly due to revenue reclassifications for the District which included tuition revenue that was budgeted as intergovernmental - state revenue; hence the large positive variance for tuition and a similarly large negative variance for intergovernmental - state.

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

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$6,459,922 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2014 balances compared to 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 144,865	\$ 144,865
Construction in progress	287,844	195,697
Land improvements	60,771	62,121
Buildings and improvements	5,029,165	4,214,976
Furniture and equipment	908,374	926,994
Vehicles	28,903	39,401
Total	\$ 6,459,922	\$ 5,584,054

The overall increase in capital assets of \$875,868 is due to capital outlays of \$1,210,340 exceeding disposals, net of accumulated depreciation, of \$16,107 and depreciation expense of \$318,365. The District completed a remodeling project in fiscal year 2014 which is included in the buildings and improvements category.

See Note 7 in the notes to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2014, the District had no debt outstanding. The only long-term obligation for the District is for compensated absences of \$917,926. Of this total, \$251,703 is due within one year and \$666,223 is due in greater than one year. The following table summarizes the compensated absences outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2014	2013
Compensated absences	\$ 917,926	\$ 840,881
Total	\$ 917,926	\$ 840,881

See Note 8 in the notes to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Current Financial Related Activities**

The District's current financial forecast supports financial stability, and there are currently no anticipated needs for any additional operating levies if the assumptions in the five-year forecast prove to be correct. Most of the District's funding comes from the State of Ohio; for fiscal year 2014, State funding accounted for approximately 56% of the general fund's cash receipts. As currently budgeted, the District will see an increase of close to \$400,000, or about 10.5%, in State aid for fiscal year 2015.

The other main source of revenue for the District is property taxes, which accounted for approximately 29% of the general fund's cash receipts in fiscal year 2014. The Stark County Auditor conducts a reappraisal of property every six years, the latest of which occurred in 2012. The result of this appraisal was an overall decrease in property values throughout the District of about 8.2%. Consequently, property tax receipts for the District have declined over the last two years, and receipts for fiscal year 2014 were about \$180,000, or 7.7%, less than in fiscal year 2012.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2014

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 9,664,613
Receivables:	
Property taxes . . . . .	2,201,313
Accrued interest . . . . .	8,920
Intergovernmental . . . . .	25,937
Prepayments . . . . .	5,730
Materials and supplies inventory. . . . .	4,976
Capital assets:	
Nondepreciable capital assets . . . . .	432,709
Depreciable capital assets, net. . . . .	6,027,213
Capital assets, net . . . . .	6,459,922
Total assets. . . . .	18,371,411
 <b>Liabilities:</b>	
Accounts payable. . . . .	64,746
Contracts payable. . . . .	206,788
Accrued wages and benefits payable . . . . .	747,386
Pension obligation payable. . . . .	87,605
Intergovernmental payable . . . . .	30,125
Long-term liabilities:	
Due within one year. . . . .	251,703
Due in more than one year. . . . .	666,223
Total liabilities . . . . .	2,054,576
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	1,947,955
Total deferred inflows of resources. . . . .	1,947,955
 <b>Net position:</b>	
Net investment in capital assets. . . . .	6,253,134
Restricted for:	
Federally funded programs . . . . .	25,937
Unrestricted. . . . .	8,089,809
Total net position. . . . .	\$ 14,368,880

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 1,026,664	\$ -	\$ -	\$ (1,026,664)
Special . . . . .	277,787	-	101,429	(176,358)
Vocational . . . . .	3,307,055	1,099,657	581,809	(1,625,589)
Adult/continuing. . . . .	34,805	35,241	3,091	3,527
Other . . . . .	240	-	-	(240)
Support services:				
Pupil. . . . .	887,986	17,551	64,054	(806,381)
Instructional staff . . . . .	585,888	-	170	(585,718)
Board of education . . . . .	15,790	-	-	(15,790)
Administration. . . . .	335,660	-	-	(335,660)
Fiscal. . . . .	255,749	-	-	(255,749)
Business. . . . .	36,464	-	-	(36,464)
Operations and maintenance . . . . .	851,421	27,864	-	(823,557)
Central . . . . .	176,802	-	-	(176,802)
Operation of non-instructional services:				
Food service operations . . . . .	313,881	124,003	171,984	(17,894)
Other non-instructional services . . . . .	1,424	-	-	(1,424)
Extracurricular activities. . . . .	76,225	-	-	(76,225)
Totals . . . . .	\$ 8,183,841	\$ 1,304,316	\$ 922,537	(5,956,988)
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				2,141,229
Grants and entitlements not restricted to specific programs . . . . .				3,529,381
Investment earnings . . . . .				88,819
Miscellaneous . . . . .				28,542
Total general revenues . . . . .				5,787,971
Change in net position . . . . .				(169,017)
<b>Net position at beginning of year . . . . .</b>				<b>14,537,897</b>
<b>Net position at end of year. . . . .</b>				<b>\$ 14,368,880</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and investments. . . . .	\$ 9,600,712	\$ 63,901	\$ 9,664,613
Receivables:			
Property taxes . . . . .	2,201,313	-	2,201,313
Accrued interest . . . . .	8,920	-	8,920
Intergovernmental . . . . .	-	25,937	25,937
Prepayments. . . . .	5,730	-	5,730
Materials and supplies inventory . . . . .	-	4,976	4,976
Total assets . . . . .	<u>\$ 11,816,675</u>	<u>\$ 94,814</u>	<u>\$ 11,911,489</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	\$ 62,854	\$ 1,892	\$ 64,746
Contracts payable. . . . .	206,788	-	206,788
Accrued wages and benefits payable . . . . .	729,826	17,560	747,386
Compensated absences payable. . . . .	214,288	-	214,288
Pension obligation payable . . . . .	82,312	5,293	87,605
Intergovernmental payable . . . . .	29,521	604	30,125
Total liabilities. . . . .	<u>1,325,589</u>	<u>25,349</u>	<u>1,350,938</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	1,947,955	-	1,947,955
Delinquent property tax revenue not available. . . . .	108,740	-	108,740
Accrued interest not available . . . . .	5,320	-	5,320
Total deferred inflows of resources . . . . .	<u>2,062,015</u>	<u>-</u>	<u>2,062,015</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	-	4,976	4,976
Prepayments . . . . .	5,730	-	5,730
Restricted:			
Vocational education. . . . .	-	25,937	25,937
Committed:			
Adult education . . . . .	-	48,063	48,063
Assigned:			
Student instruction. . . . .	227,917	-	227,917
Student and staff support. . . . .	79,154	-	79,154
Extracurricular activities . . . . .	4,322	-	4,322
Facilities acquisition and construction . . . . .	772,043	-	772,043
School supplies. . . . .	4,114	-	4,114
Other purposes . . . . .	57,127	-	57,127
Unassigned (deficit). . . . .	7,278,664	(9,511)	7,269,153
Total fund balances . . . . .	<u>8,429,071</u>	<u>69,465</u>	<u>8,498,536</u>
Total liabilities, deferred inflows of resources and fund balances. . . . .	<u>\$ 11,816,675</u>	<u>\$ 94,814</u>	<u>\$ 11,911,489</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Total governmental fund balances</b>		\$	8,498,536
<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.			6,459,922
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	108,740	
Accrued interest receivable		5,320	
Total			114,060
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.			(703,638)
<b>Net position of governmental activities</b>		\$	14,368,880

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 2,135,869	\$ -	\$ 2,135,869
Tuition . . . . .	985,140	42,158	1,027,298
Charges for services . . . . .	-	124,003	124,003
Earnings on investments . . . . .	86,530	84	86,614
Classroom materials and fees . . . . .	3,322	5,750	9,072
Other local revenues . . . . .	164,715	4,948	169,663
Intergovernmental - intermediate . . . . .	2,822	-	2,822
Intergovernmental - state . . . . .	4,106,711	7,354	4,114,065
Intergovernmental - federal . . . . .	4,479	333,295	337,774
Total revenues . . . . .	<u>7,489,588</u>	<u>517,592</u>	<u>8,007,180</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	1,028,745	-	1,028,745
Special . . . . .	175,621	99,930	275,551
Vocational . . . . .	3,248,754	-	3,248,754
Adult/continuing . . . . .	-	34,805	34,805
Other . . . . .	240	-	240
Support services:			
Pupil . . . . .	730,981	78,925	809,906
Instructional staff . . . . .	576,257	175	576,432
Board of education . . . . .	15,790	-	15,790
Administration . . . . .	324,074	-	324,074
Fiscal . . . . .	253,378	-	253,378
Business . . . . .	36,464	-	36,464
Operations and maintenance . . . . .	803,472	-	803,472
Central . . . . .	188,079	-	188,079
Operation of non-instructional services:			
Food service operations . . . . .	-	311,533	311,533
Other non-instructional services . . . . .	1,424	-	1,424
Extracurricular activities . . . . .	76,225	-	76,225
Facilities acquisition and construction . . . . .	1,151,523	-	1,151,523
Total expenditures . . . . .	<u>8,611,027</u>	<u>525,368</u>	<u>9,136,395</u>
Net change in fund balances . . . . .	(1,121,439)	(7,776)	(1,129,215)
<b>Fund balances at beginning of year . . . . .</b>	<u>9,550,510</u>	<u>77,241</u>	<u>9,627,751</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 8,429,071</u>	<u>\$ 69,465</u>	<u>\$ 8,498,536</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

**Net change in fund balances - total governmental funds** \$ (1,129,215)

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

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

Capital asset additions	\$	1,210,340	
Current year depreciation		(318,365)	
Total			891,975

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (16,107)

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

Property taxes		5,360	
Earnings on investments		2,289	
Intergovernmental		(5)	
Total			7,644

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 76,686

**Change in net position of governmental activities** \$ (169,017)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,107,885	\$ 2,144,609	\$ 2,131,391	\$ (13,218)
Tuition . . . . .	-	-	985,140	985,140
Earnings on investments . . . . .	58,973	60,000	54,897	(5,103)
Other local revenues . . . . .	58,973	60,000	48,364	(11,636)
Intergovernmental - intermediate . . . . .	2,457	2,500	2,822	322
Intergovernmental - state . . . . .	4,856,580	4,941,193	4,106,711	(834,482)
Intergovernmental - federal . . . . .	21,132	21,500	4,479	(17,021)
Total revenues . . . . .	<u>7,106,000</u>	<u>7,229,802</u>	<u>7,333,804</u>	<u>104,002</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	880,569	1,055,819	1,027,549	28,270
Special . . . . .	104,668	125,499	122,139	3,360
Vocational . . . . .	2,798,242	3,355,149	3,265,313	89,836
Other . . . . .	206	247	240	7
Support services:				
Pupil . . . . .	677,499	812,335	790,584	21,751
Instructional staff . . . . .	457,882	549,009	534,309	14,700
Board of education . . . . .	13,151	15,768	15,346	422
Administration . . . . .	297,331	356,506	346,960	9,546
Fiscal . . . . .	216,466	259,547	252,597	6,950
Business . . . . .	31,019	37,192	36,196	996
Operations and maintenance . . . . .	669,709	802,995	781,494	21,501
Central . . . . .	180,849	216,842	211,036	5,806
Operation of non-instructional services . . . . .	1,217	1,459	1,420	39
Extracurricular activities . . . . .	69,035	82,774	80,558	2,216
Facilities acquisition and construction . . . . .	1,702,537	2,041,375	1,986,716	54,659
Total expenditures . . . . .	<u>8,100,380</u>	<u>9,712,516</u>	<u>9,452,457</u>	<u>260,059</u>
Excess of expenditures over revenues . . . . .	<u>(994,380)</u>	<u>(2,482,714)</u>	<u>(2,118,653)</u>	<u>364,061</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	-	200	750	550
Advances in . . . . .	-	-	11,464	11,464
Advances (out) . . . . .	(500)	(10,000)	(9,726)	274
Total other financing sources (uses) . . . . .	<u>(500)</u>	<u>(9,800)</u>	<u>2,488</u>	<u>12,288</u>
Net change in fund balance . . . . .	(994,880)	(2,492,514)	(2,116,165)	376,349
<b>Fund balance at beginning of year . . . . .</b>	9,237,627	9,237,627	9,237,627	-
<b>Prior year encumbrances appropriated . . . . .</b>	1,055,525	1,055,525	1,055,525	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 9,298,272</u>	<u>\$ 7,800,638</u>	<u>\$ 8,176,987</u>	<u>\$ 376,349</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 6,575	\$ 27,585
Total assets. . . . .	6,575	\$ 27,585
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 260
Due to students. . . . .	-	27,325
Total liabilities . . . . .	-	\$ 27,585
<b>Net position:</b>		
Held in trust for scholarships . . . . .	6,575	
Total net position. . . . .	\$ 6,575	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>Additions:</b>	
Gifts and contributions . . . . .	\$ 5,000
<b>Deductions:</b>	
Scholarships awarded . . . . .	<u>4,000</u>
Change in net position . . . . .	1,000
<b>Net position at beginning of year. . . . .</b>	<u>5,575</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 6,575</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District operates under a seven-member Board of Education consisting of 1 member from each member school's Board of Education and 1 additional rotating member allowing each member school to have 2 members every 7 years. The District provides educational services as authorized and mandated by State or federal agencies. The District employs 23 non-certified and 55 certified employees to provide services to approximately 642 students.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

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

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

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

NOTES TO THE 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 District:

*JOINTLY GOVERNED ORGANIZATION*

The District is a member of the Stark-Portage Area Computer Consortium (SPARCC), a jointly governed organization, which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of approximately 30 member districts. However, SPARCC is primarily governed by a five-member executive board, which is made up of two representatives from Stark County, two from Portage County and a Treasurer. The Board meets monthly to address any current issues.

*INSURANCE PURCHASING POOL*

The Stark County Schools Council of Government (the "Council") is governed by an assembly, which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program, which is a shared risk pool comprised of 86 member school districts, educational service centers and related agencies.

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

*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.

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

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

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

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

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

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

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

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current 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.

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

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

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

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. Fiduciary funds use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5).

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

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

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

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

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

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

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

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

**E. Budgets**

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

1. On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.
2. By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the object level of expenditures for the general fund and the fund level of expenditures for all other funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. 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 at any level of control.
5. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. All supplemental appropriations were legally enacted by the Board during fiscal year 2014. The amounts reported in the budgetary statement reflect the original and final appropriations approved by the Board of Education during fiscal year 2014.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control.

**F. Cash and Investments**

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

During fiscal year 2014, investments were limited to federal agency securities, commercial paper, U.S. Government money market funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 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 statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$86,530, which includes \$1,290 assigned from other funds.

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

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

**G. Inventory**

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

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

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**H. Capital Assets**

General capital assets are those assets specifically related to activities reported in the governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District’s capitalization threshold is \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	50 years
Buildings and improvements	15 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 15 years

**I. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with one year of service are considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

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

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

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

**K. Fund Balance**

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

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

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

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

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

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

**L. Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation. Deferred outflows of resources, deferred inflows of resources and liabilities that are attributable to the acquisition, construction or improvement of those assets, including contracts payable, and related debt also are included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**M. Prepayments**

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

**N. 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.

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, the District had no extraordinary or special items.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District 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 District.

**B. Deficit Fund Balance**

Fund balances at June 30, 2014 included a deficit of \$4,535 in the food service nonmajor governmental fund. The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$1,067,073. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$967,592 of the District's bank balance of \$1,217,592 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**B. Investments**

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

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 1,249,828	\$ 500,310	\$ -	\$ 499,825	\$ -	\$ 249,693
FHLB	1,748,527	-	500,880	-	498,595	749,052
FHLMC	1,993,860	250,258	-	-	-	1,743,602
FNMA	2,096,511	501,480	-	-	498,760	1,096,271
Commercial paper	1,249,767	1,249,767	-	-	-	-
STAR Ohio	189,949	189,949	-	-	-	-
U.S. Government money market	103,258	103,258	-	-	-	-
<b>Total</b>	<b>\$ 8,631,700</b>	<b>\$ 2,795,022</b>	<b>\$ 500,880</b>	<b>\$ 499,825</b>	<b>\$ 997,355</b>	<b>\$ 3,838,618</b>

The weighted average maturity of investments is 1.70 years.

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

*Credit Risk:* STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in federal agency securities were rated AA+ and Aaa by Standard and Poor's and Moody's Investor Services, respectively. The District's investment in commercial paper was rated A-1+ by Standard and Poor's. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 1,249,828	14.48
FHLB	1,748,527	20.26
FHLMC	1,993,860	23.10
FNMA	2,096,511	24.28
Commercial paper	1,249,767	14.48
STAR Ohio	189,949	2.20
U.S. Government money market	<u>103,258</u>	<u>1.20</u>
Total	<u>\$ 8,631,700</u>	<u>100.00</u>

**C. 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	\$ 1,067,073
Investments	<u>8,631,700</u>
Total	<u>\$ 9,698,773</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 9,664,613
Private-purpose trust fund	6,575
Agency funds	<u>27,585</u>
Total	<u>\$ 9,698,773</u>

**NOTE 5 - PROPERTY TAXES**

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

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 5 - PROPERTY TAXES - (Continued)**

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 District receives property taxes from Stark, Carroll, Summit, Tuscarawas, Columbiana and Wayne Counties. The County Auditors/Fiscal Officers periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$144,618 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$140,140 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 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.

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	\$ 1,156,045,730	95.82	\$ 1,161,445,500	95.42
Public utility personal	<u>50,461,280</u>	<u>4.18</u>	<u>55,731,750</u>	<u>4.58</u>
Total	<u>\$ 1,206,507,010</u>	<u>100.00</u>	<u>\$ 1,217,177,250</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$2.00		\$2.00	

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 6 - RECEIVABLES**

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

**Governmental activities:**

Property taxes	\$ 2,201,313
Intergovernmental	25,937
Accrued interest	<u>8,920</u>
Total	<u>\$ 2,236,170</u>

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

**NOTE 7 - CAPITAL ASSETS**

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

	Balance <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/14</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 144,865	\$ -	\$ -	\$ 144,865
Construction in progress	<u>195,697</u>	<u>1,134,828</u>	<u>(1,042,681)</u>	<u>287,844</u>
Total capital assets, not being depreciated	<u>340,562</u>	<u>1,134,828</u>	<u>(1,042,681)</u>	<u>432,709</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	67,523	-	-	67,523
Buildings and improvements	10,500,842	1,042,681	-	11,543,523
Furniture and equipment	1,806,300	75,512	(34,629)	1,847,183
Vehicles	<u>129,453</u>	<u>-</u>	<u>-</u>	<u>129,453</u>
Total capital assets, being depreciated	<u>12,504,118</u>	<u>1,118,193</u>	<u>(34,629)</u>	<u>13,587,682</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(5,402)	(1,350)	-	(6,752)
Buildings and improvements	(6,285,866)	(228,492)	-	(6,514,358)
Furniture and equipment	(879,306)	(78,025)	18,522	(938,809)
Vehicles	<u>(90,052)</u>	<u>(10,498)</u>	<u>-</u>	<u>(100,550)</u>
Total accumulated depreciation	<u>(7,260,626)</u>	<u>(318,365)</u>	<u>18,522</u>	<u>(7,560,469)</u>
Governmental activities capital assets, net	<u>\$ 5,584,054</u>	<u>\$ 1,934,656</u>	<u>\$(1,058,788)</u>	<u>\$ 6,459,922</u>

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

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

**NOTE 7 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Vocational	\$ 157,426
<u>Support services:</u>	
Pupil	57,306
Instructional staff	8,457
Administration	1,691
Fiscal	1,691
Operations and maintenance	86,845
Central	1,826
Food service operations	<u>3,123</u>
Total depreciation expense	<u>\$ 318,365</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/14</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences payable	\$ 840,881	\$ 165,805	\$ (88,760)	\$ 917,926	\$ 251,703
Total long-term obligations, governmental activities	<u>\$ 840,881</u>	<u>\$ 165,805</u>	<u>\$ (88,760)</u>	<u>\$ 917,926</u>	<u>\$ 251,703</u>

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

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014 are a voted debt margin of \$109,545,953 and an unvoted debt margin of \$1,217,177.

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

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

**NOTE 9 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Retirement Incentive Bonus**

The District offers a retirement incentive bonus for certified employees in the amount of \$17,500 and for classified employees in the amount of \$12,500. Employees retiring the first time they are eligible to retire based on the State Teachers Retirement System of Ohio and School Employees Retirement System eligibility criteria will receive the bonus. In addition, employees with less than 30 years of service credit who choose not to retire when first eligible can qualify for the bonus by declaring to the Superintendent in writing by April 1 of that year that their retirement will occur when they have reached 30 years of service credit.

**C. Life Insurance**

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

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the District contracted with Ohio Casualty for all insurance. Buildings are 100% co-insured. A summary of coverages provided are as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings, Contents and Boiler	\$29,369,100	\$ 5,000
Automobile Liability	1,000,000	-
Uninsured Motorists	50,000	-
General Liability:		
Per Occurrence	1,000,000	-
Aggregate	2,000,000	-
Excess Liability	5,000,000	10,000

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

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

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

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

**B. Employee Health, Dental and Vision**

The District has contracted with the Stark County Schools Council of Government (Council) Health Benefits Program to provide employee medical/surgical, dental and vision benefits. The Council's Health Benefits Program is a shared risk pool comprised of 86 member school districts, educational service centers and related agencies. Rates are set through an annual calculation process. The District pays a monthly contribution, which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The Board of Directors has the right to return monies to an exiting District subsequent to the settlements of all expenses and claims. The District pays 90% of the premium for medical and dental coverage and 100% of the premium for vision coverage. Employees pay the remaining 10% of the premium for medical and dental coverage. The following amounts are the total monthly premiums paid in fiscal year 2014:

	<u>Family</u>	<u>Single</u>
Medical	\$1,437.74	\$591.85
Dental	185.39	75.15
Vision	39.37	15.86

**C. Workers' Compensation**

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

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 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 District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$88,970, \$86,855 and \$98,591, respectively; 100 percent has been contributed for all three fiscal years.

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

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

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

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

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$473,870, \$480,174 and \$469,004, respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2014 were \$7,881 made by the District and \$6,192 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 District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B 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](http://www.ohsers.org), under "Employers/Audit Resources".

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.

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

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

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

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$8,495, \$11,754 and \$15,315, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$5,162, \$4,906 and \$5,822, respectively; 100 percent has been contributed for all three fiscal years.

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

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$36,452, \$36,936 and \$36,077, respectively; 100 percent has been contributed for all three fiscal years.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

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

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (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 an assignment of 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) as opposed to 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 are as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (2,116,165)
Net adjustment for revenue accruals	36,111
Net adjustment for expenditure accruals	(397,015)
Net adjustment for other sources/uses	(2,488)
Funds budgeted elsewhere	4,360
Adjustment for encumbrances	1,353,758
GAAP basis	<u>\$ (1,121,439)</u>

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

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2014.

**B. Litigation**

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

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

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

**NOTE 15 - STATUTORY RESERVES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	111,712
Current year qualifying expenditures	<u>(1,204,134)</u>
Total	<u>\$ (1,092,422)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

**NOTE 16 - COMMITMENTS**

**A. Contractual Commitments**

The District has entered into the following contracts related to the construction project in progress at June 30, 2014:

Contractor	Contract Amount	Expended	Balance 6/30/14
The Cornice Company	\$ 142,448	\$ -	\$ 142,448
Standard Plumbing	558,650	-	558,650
Wood Electric	261,289	-	261,289
Harris-Day Architects	<u>97,500</u>	<u>81,055</u>	<u>16,445</u>
	<u>\$ 1,059,887</u>	<u>\$ 81,055</u>	<u>\$ 978,832</u>

In addition to the amounts expended above, the District has recorded contracts payable of \$206,788.

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

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

**NOTE 16 - COMMITMENTS - (Continued)**

**B. Encumbrances**

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 1,086,942
Nonmajor governmental funds	<u>172</u>
Total	<u>\$ 1,087,114</u>

**NOTE 17 - SUBSEQUENT EVENTS**

The District joined 28 other area education, community and business partners in forming the Young Entrepreneurs Consortium (Consortium). The Consortium was awarded a \$13.6 million Straight A Fund grant from the Ohio Department of Education to lead a multi-year initiative to create an innovative model for community engagement and increasing the flow of young entrepreneurs in the state. As the lead agency for the project, the District will receive and disburse grant monies to participating entities, beginning in fiscal year 2015.



# Dave Yost • Auditor of State

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

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

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, the major fund, and the aggregate remaining fund information of Stark County Area Vocational School District, Stark County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 2014.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 3, 2014



# Dave Yost • Auditor of State

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 4, 2014**