

Vinton County Local School District  
Vinton County  
Single Audit  
For the Fiscal Year Ended June 30, 2012



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# Dave Yost • Auditor of State

Board of Education  
Vinton County Local School District  
307 West High Street  
McArthur, Ohio 45651

We have reviewed the *Independent Auditor's Report* of the Vinton County Local School District, Vinton County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Vinton County Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 8, 2013

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**Vinton County Local School District**  
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For the Fiscal Year Ended June 30, 2012

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**Independent Auditor's Report**

Board of Education  
Vinton County Local School District  
307 West High Street  
McArthur, Ohio 45651

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Vinton County Local School District, Vinton County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vinton County Local School District, Vinton County, as of June 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 27, 2012

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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The discussion and analysis of the Vinton County Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

### **Financial Highlights**

- The assets of Vinton County Local School District exceeded its liabilities at June 30, 2012 by \$69,209,103. Of this amount, \$51,640,961 represents the total net assets that are invested in capital assets, net of related debt and \$4,255,262 that are restricted for specific purposes. The remaining \$13,312,880 represents unrestricted net assets.
- In total, net assets of governmental activities decreased by \$1,111,369 which represents a 1.58 percent decrease from 2011.
- General revenues accounted for \$21,401,039 or 76.19 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,689,336 or 23.81 percent of total revenues of \$28,090,375.
- The District had \$29,201,744 in expenses related to governmental activities; only \$6,689,336 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$21,401,039 and net assets carried over from prior year were used to provide for the remainder of these programs.
- The District recognizes two major governmental funds: the General and Bond Retirement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$22,021,385 in revenues and other financing sources, and \$21,765,723 in expenditures in fiscal year 2012.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Vinton County Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

### **Reporting the District as a Whole**

#### *Government-Wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**Vinton County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

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

#### *Fund Financial Statements*

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's two major governmental funds are the General and the Bond Retirement Funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of two categories: governmental and fiduciary funds.

#### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

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

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
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Unaudited

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Fiduciary Fund

The District's only fiduciary fund is an agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fiduciary funds use the accrual basis of accounting.

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.

**Government-Wide Financial Analysis**

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2012 compared to fiscal year 2011:

Table 1  
Net Assets  
Governmental Activities

	2012	2011
<i>Assets</i>		
Current and Other Assets	\$26,192,361	\$25,350,356
Capital Assets, Net	57,907,865	60,404,133
Total Assets	84,100,226	85,754,489
<i>Liabilities</i>		
Long-Term Liabilities	7,094,284	7,551,624
Other Liabilities	7,796,839	7,882,393
Total Liabilities	14,891,123	15,434,017
<i>Net Assets</i>		
Invested in Capital Assets, Net of Related Debt	51,640,961	53,817,620
Restricted	4,255,262	6,185,756
Unrestricted	13,312,880	10,317,096
Total Net Assets	<u>\$69,209,103</u>	<u>\$70,320,472</u>

Current and other assets increased \$842,005 from fiscal year 2011 due primarily to increases in cash and cash equivalents held by the District and property taxes receivables. These increases were partially offset by a decrease in intergovernmental receivables. Capital assets decreased \$2,496,268 or 4.13 percent as a result of current depreciation and deletions exceeding additions for the fiscal year.

Current (other) liabilities decreased by \$85,554 due to the decrease in intergovernmental payable and deferred revenue related to intergovernmental receivables. These decreases were partially offset by increases in accrued wages and benefits and deferred revenue related to property taxes receivable. Long-term liabilities decreased by \$457,340 due to the scheduled principal payments of debt obligations and payments on the long-term portion of the early retirement incentive payable, which was only partially offset by current year early retirement incentive additions.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
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Unaudited

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. This accounts for 74.62 percent of net assets. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities. The District's next largest portion of net assets is unrestricted. This accounts for 19.23 percent of net assets. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors. The remaining balance of \$4,255,262 or 6.15 percent is restricted net assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2012 and provides a comparison to fiscal year 2011.

Table 2  
Changes in Net Assets  
Governmental Activities

	2012	2011*
<i>Revenues</i>		
<i>Program Revenue</i>		
Charges for Services and Sales	\$1,135,590	\$1,026,943
Operating Grants and Contributions	5,553,746	7,298,235
Total Program Revenue	6,689,336	8,325,178
<i>General Revenue</i>		
Property and Other Taxes	5,311,218	2,500,196
Payment in Lieu of Taxes	616,224	641,506
Unrestricted Grants and Entitlements	15,257,708	16,861,464
Unrestricted Gifts and Contributions	2,500	0
Investment Earnings	46,164	122,435
Gain on Sale of Capital Assets	0	40,874
Insurance Recoveries	7,630	0
Miscellaneous	159,595	212,218
Total General Revenue	21,401,039	20,378,693
Total Revenues	28,090,375	28,703,871

\*Reclassifications were made for consistency of reporting between years.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 2  
Changes in Net Assets  
Governmental Activities  
(Continued)

	2012	2011
<i>Expenses</i>		
<i>Program Expenses</i>		
<i>Instruction</i>		
Regular	\$12,394,310	\$12,771,909
Special	2,651,365	3,178,099
Vocational	273,642	259,709
Student Intervention Services	117,343	167,025
Other	1,162,073	1,225,214
<i>Support Services</i>		
Pupils	1,225,514	1,965,270
Instructional Staff	1,524,042	1,451,985
Board of Education	385,716	363,827
Administration	2,231,563	2,124,526
Fiscal	451,477	400,052
Operation and Maintenance of Plant	2,186,012	2,399,483
Pupil Transportation	2,266,481	2,101,234
Central	393,039	373,797
Operation of Non-Instructional Services	1,326,127	1,245,792
Extracurricular Activities	316,649	318,181
Interest and Fiscal Charges	296,391	326,762
Total Expenses	<u>29,201,744</u>	<u>30,672,865</u>
<i>Change in Net Assets</i>		
Net Assets Beginning of Year	(1,111,369)	(1,968,994)
Net Assets End of Year	<u>70,320,472</u>	<u>72,289,466</u>
	<u>\$69,209,103</u>	<u>\$70,320,472</u>

The most significant program expenses for the District are Regular Instruction, Special Instruction, Other Instruction, Pupils Support Services, Instructional Staff, Administration, Operation and Maintenance of Plant, Pupil Transportation and Non-Instructional Services. These programs account for 92.35 percent of the total governmental activities. Regular Instruction accounts for 42.44 percent of the total and represents costs associated with providing general educational services. Special Instruction accounts for 9.08 percent of the total and represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Pupils, which represent 4.20 percent of the total cost, represent costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process. Instructional Staff accounts for 5.22 percent of the total and represents costs associated with assisting instructional staff with providing learning experiences for students. Administration accounts for 7.64 percent of the total and represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant accounts for 7.49 percent of the total and represents costs associated with operating and maintaining the District's facilities. Pupil Transportation accounts for 7.76 percent of the total and represents costs associated with providing transportation services for students between home and school and to school activities. Other Instruction accounts for 3.98 percent of the total and represents costs associated with open enrollment and community school tuition. Non-Instructional Services accounts for 4.54 percent of the total and primarily represents food service operations.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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The majority of the funding for the most significant programs indicated above is from grants and entitlements not restricted for specific programs, property taxes, and operating grants and contributions. Operating grants and contributions, property taxes, and grants and entitlements not restricted for specific programs account for 93.00 percent of total revenues.

As noted previously, the net assets for the governmental activities decreased \$1,111,369 or 1.58 percent. This is a change from last year when net assets decreased \$1,968,994 or 2.72 percent. Total revenues decreased \$613,496 or 2.14 percent from last year, primarily the net result of increases in property tax revenues and decreases in grant revenues. Expenses decreased \$1,471,121 or 4.80 percent from last year.

**Governmental Activities**

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 18.91 percent and intergovernmental revenue made up 74.09 percent of the total revenue for the governmental activities in fiscal year 2012.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District voters approved a bond retirement tax levy for 3.82 mills in November 1997 as part of a \$5,010,000 bond issue for the construction of a new high school. Of the 3.82 mills, 3.32 mills are used for the retirement of the bonds and the remaining .5 mills are used for repairs and maintenance of the new facilities. The District voters also approved a bond retirement tax levy for 1.48 mills as part of the construction of the new elementaries in addition to high school and new middle school. In fiscal year 2012, these levies generated \$856,402 in tax revenue for debt service payments.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2012, the District received \$16,283,532 through the State's foundation program, which represents 57.97 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 56.84 percent of governmental activities program expenses. Support services expenses make up 36.52 percent of governmental activities program expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2012 as compared to 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 3  
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011*
<i>Program Expenses</i>				
Instruction	\$16,598,733	\$12,869,366	\$17,601,956	\$13,557,483
Support Services	10,663,844	8,941,025	11,180,174	8,486,486
Operation of Non- Instructional Services	1,326,127	189,407	1,245,792	(187,686)
Extracurricular Activities	316,649	216,219	318,181	164,642
Interest and Fiscal Charges	296,391	296,391	326,762	326,762
<b>Total Expenses</b>	<b>\$29,201,744</b>	<b>\$22,512,408</b>	<b>\$30,672,865</b>	<b>\$22,347,687</b>

\*Reclassifications were made for consistency of reporting between years.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$27,563,821 and expenditures of \$27,198,657.

Total governmental funds experienced an increase of \$365,164 in fund balance. The increase in fund balance for the year was most significant in the General Fund, which posted a \$255,662 increase, the result of revenues in excess of expenditures. The Bond Retirement Fund had an increase in fund balance of \$68,623 due to revenues exceeding expenditures during the current year.

The District should remain stable in fiscal years 2013 through 2014. However, projections beyond fiscal year 2014 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**Budget Highlights - General Fund**

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

During the course of fiscal year 2012, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

The District prepares and monitors a detailed cash flow plan for the General Fund. Actual cash flow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis estimate of revenue was \$21,889,148 representing an increase of \$17,800 from the original budget of \$21,871,348. For the General Fund, the final budget basis estimate of expenditures was \$22,941,738 representing an increase of \$21,100 from the original budget estimate of \$22,920,638. The final budget reflected a 0.09 percent increase from the original budgeted amount. Most of the difference is due to conservative estimates of original appropriations in pupils support services.

**Vinton County Local School District**  
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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2012, the District had \$78.9 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$21.0 million. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011.

Table 4  
Capital Assets and Accumulated Depreciation at Year End  
Governmental Activities

	2012	2011
<i>Nondepreciable Capital Assets</i>		
Land	\$1,376,059	\$1,376,059
<i>Depreciable Capital Assets</i>		
Land Improvements	9,864,955	9,824,715
Buildings and Improvements	59,478,379	59,501,794
Furniture, Fixtures and Equipment	5,077,787	5,079,462
Vehicles	3,079,144	2,909,944
Total Capital Assets	<u>78,876,324</u>	<u>78,691,974</u>
<i>Less Accumulated Depreciation</i>		
Land Improvements	(3,029,105)	(2,544,324)
Buildings and Improvements	(12,017,205)	(10,245,180)
Furniture, Fixtures and Equipment	(3,396,958)	(3,064,437)
Vehicles	(2,525,191)	(2,433,900)
Total Accumulated Depreciation	<u>(20,968,459)</u>	<u>(18,287,841)</u>
Capital Assets, Net	<u>\$57,907,865</u>	<u>\$60,404,133</u>

More detailed information pertaining to the District's capital asset activity can be found in Note 10 of the notes to the basic financial statements.

**Debt Administration**

At June 30, 2012, the District had \$5,680,000 in general obligation bonds and \$331,072 in capital leases outstanding with \$439,470 due within one year. Table 5 summarizes bonds and capital leases outstanding for fiscal year 2012 compared to fiscal year 2011.

Table 5  
Outstanding Debt, Governmental Activities at Year End

	2012	2011
General Obligation Bonds	\$5,680,000	\$5,990,000
Capital Leases	331,072	413,773
Total	<u>\$6,011,072</u>	<u>\$6,403,773</u>

More detailed information pertaining to the District's long-term debt activity can be found in Note 14 of the notes to the basic financial statements.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**Current Issues**

Vinton County Local School District is financially stable, and has been over the past several years although the financial future of the district is not without its challenges. The district relies on revenue from local property taxes as well as revenue from state funding sources (approximately fifty eight percent). State foundation revenue is based on a district's student enrollment and property tax wealth. In 2012, the district saw a decline in student enrollment and future estimates continue to indicate a declining enrollment which will result in a decline in state revenue. Also, the district does not anticipate any sustainable growth in revenue from property taxes due to slow economic growth. The Vinton County Local Board of Education is committed to being financially responsible and with increased expenditures and declining revenues the district will need to continue to implement cost saving and cost containing measures in an attempt to have a balanced budget.

It is important to note that in March, 1997, the State of Ohio was found by the Supreme Court to be operating an unconstitutional funding system one that was neither adequate nor equitable. As long as the State avoids a complete overhaul of the funding system that the Supreme Court has ordered in its ruling, all schools in Ohio will be faced with the same problem in the future either increase its revenue by passing levies or decreasing expense by making budget cuts.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Erica Zinn, Treasurer of Vinton County Local School Board of Education, 307 West High Street, McArthur, Ohio 45651.



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**Vinton County Local School District**  
*Statement of Net Assets*  
*As of June 30, 2012*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$18,182,977
Cash and Cash Equivalents in Segregated Accounts	2,707
Inventory Held for Resale	9,802
Accrued Interest Receivable	6,631
Intergovernmental Receivable	952,039
Prepaid Items	34,077
Property Taxes Receivable	6,006,465
Payments in Lieu of Taxes Receivable	633,888
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	282,377
Deferred Charges	81,398
Nondepreciable Capital Assets	1,376,059
Depreciable Capital Assets, net	56,531,806
<i>Total Assets</i>	84,100,226
<b>Liabilities:</b>	
Accounts Payable	78,228
Accrued Wages and Benefits	2,845,617
Contracts Payable	110,212
Intergovernmental Payable	562,869
Accrued Interest Payable	10,969
Retainage Payable	280,399
Deferred Revenue	3,768,545
Early Retirement Incentive Payable	140,000
Long-Term Liabilities:	
Due Within One Year	539,681
Due in More Than One Year	6,554,603
<i>Total Liabilities</i>	14,891,123
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	51,640,961
Restricted for Debt Service	2,711,557
Restricted for Capital Outlay	10,952
Restricted for Other Purposes	1,532,753
Unrestricted	13,312,880
<i>Total Net Assets</i>	\$69,209,103

The notes to the basic financial statements are an integral part of this statement

**Vinton County Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$12,394,310	\$189,856	\$526,323	(\$11,678,131)
Special	2,651,365	42,261	2,757,207	148,103
Vocational	273,642	5,915	63,877	(203,850)
Student Intervention Services	117,343	0	118,309	966
Other	1,162,073	25,138	481	(1,136,454)
Support Services:				
Pupils	1,225,514	18,906	347,548	(859,060)
Instructional Staff	1,524,042	17,396	529,113	(977,533)
Board of Education	385,716	6,954	0	(378,762)
Administration	2,231,563	98,779	232,829	(1,899,955)
Fiscal	451,477	9,615	0	(441,862)
Operation and Maintenance of Plant	2,186,012	43,271	6,961	(2,135,780)
Pupil Transportation	2,266,481	46,958	342	(2,219,181)
Central	393,039	364,147	0	(28,892)
Operation of Non-Instructional Services	1,326,127	179,399	957,321	(189,407)
Extracurricular Activities	316,649	86,995	13,435	(216,219)
Interest and Fiscal Charges	296,391	0	0	(296,391)
<i>Total Governmental Activities</i>	<u>\$29,201,744</u>	<u>\$1,135,590</u>	<u>\$5,553,746</u>	<u>(22,512,408)</u>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	4,377,103
Capital Maintenance	77,713
Debt Service	856,402
Grants and Entitlements not	
Restricted for Specific Programs	15,257,708
Gifts and Contributions not	
Restricted for Specific Programs	2,500
Payments in Lieu of Taxes	616,224
Investment Earnings	46,164
Insurance Recoveries	7,630
Miscellaneous	159,595
<i>Total General Revenues</i>	<u>21,401,039</u>
<i>Change in Net Assets</i>	(1,111,369)
<i>Net Assets Beginning of Year</i>	<u>70,320,472</u>
<i>Net Assets End of Year</i>	<u>\$69,209,103</u>

The notes to the basic financial statements are an integral part of this statement

**Vinton County Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*As of June 30, 2012*

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$14,797,393	\$2,188,054	\$1,197,530	\$18,182,977
Cash and Cash Equivalents in Segregated Accounts	0	0	2,707	2,707
Inventory Held for Resale	0	0	9,802	9,802
Accrued Interest Receivable	6,631	0	0	6,631
Interfund Receivable	233,676	0	0	233,676
Intergovernmental Receivable	50,834	0	901,205	952,039
Prepaid Items	34,077	0	0	34,077
Property Taxes Receivable	4,957,900	947,357	101,208	6,006,465
Payments in Lieu of Taxes Receivable	633,888	0	0	633,888
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	1,978	0	280,399	282,377
<i>Total Assets</i>	<u>\$20,716,377</u>	<u>\$3,135,411</u>	<u>\$2,492,851</u>	<u>\$26,344,639</u>
<b>Liabilities:</b>				
Accounts Payable	\$50,859	\$0	\$27,369	\$78,228
Accrued Wages and Benefits	2,475,463	0	370,154	2,845,617
Contracts Payable	0	0	110,212	110,212
Interfund Payable	0	0	233,676	233,676
Intergovernmental Payable	510,016	0	52,853	562,869
Retainage Payable	0	0	280,399	280,399
Deferred Revenue	5,242,048	870,802	458,990	6,571,840
Early Retirement Incentive Payable	140,000	0	0	140,000
<i>Total Liabilities</i>	<u>8,418,386</u>	<u>870,802</u>	<u>1,533,653</u>	<u>10,822,841</u>
<b>Fund Balances:</b>				
Nonspendable	34,077	0	9,802	43,879
Restricted	0	2,264,609	1,191,155	3,455,764
Committed	96,299	0	0	96,299
Assigned	132,691	0	0	132,691
Unassigned	12,034,924	0	(241,759)	11,793,165
<i>Total Fund Balances</i>	<u>12,297,991</u>	<u>2,264,609</u>	<u>959,198</u>	<u>15,521,798</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$20,716,377</u>	<u>\$3,135,411</u>	<u>\$2,492,851</u>	<u>\$26,344,639</u>

The notes to the basic financial statements are an integral part of this statement.

**Vinton County Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 As of June 30, 2012*

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**Total Governmental Fund Balances** \$15,521,798

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 57,907,865

Some of the District's receivables will be collected after fiscal year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. Those receivables consist of:

Intergovernmental	416,730	
Taxes	2,386,565	
Total	2,803,295	2,803,295

Unamortized issuance costs represent deferred charges which do not provide current financial resources and are therefore not reported in the funds. 81,398

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

General Obligation Bonds	(5,680,000)	
Premium on Bonds	(255,832)	
Accrued Interest on Bonds	(10,969)	
Compensated Absences	(657,380)	
Early Retirement Incentive	(170,000)	
Capital Lease Obligations	(331,072)	
Total	(7,105,253)	(7,105,253)

**Net Assets of Governmental Activities** \$69,209,103

The notes to the basic financial statements are an integral part of this statement

**Vinton County Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$3,103,785	\$597,700	\$62,710	\$3,764,195
Intergovernmental	17,180,711	96,311	4,508,878	21,785,900
Interest	44,607	0	1,557	46,164
Tuition and Fees	452,867	0	0	452,867
Extracurricular Activities	57,085	0	83,841	140,926
Gifts and Donations	3,822	0	13,435	17,257
Customer Sales and Services	363,793	0	178,004	541,797
Payments in Lieu of Taxes	616,224	0	0	616,224
Miscellaneous	159,595	0	0	159,595
<i>Total Revenues</i>	<u>21,982,489</u>	<u>694,011</u>	<u>4,848,425</u>	<u>27,524,925</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,767,870	0	1,364,043	10,131,913
Special	1,952,482	0	673,922	2,626,404
Vocational	273,323	0	0	273,323
Student Intervention Services	0	0	117,343	117,343
Other	1,161,596	0	477	1,162,073
Support Services:				
Pupils	871,386	0	344,145	1,215,531
Instructional Staff	812,413	0	548,953	1,361,366
Board of Education	321,331	31,767	3,288	356,386
Administration	2,018,866	0	257,427	2,276,293
Fiscal	443,879	0	7,175	451,054
Operation and Maintenance of Plant	1,944,252	0	231,509	2,175,761
Pupil Transportation	2,164,741	0	378	2,165,119
Central	382,058	0	0	382,058
Operation of Non-Instructional Services	124,362	0	1,153,159	1,277,521
Extracurricular Activities	145,754	0	90,619	236,373
Capital Outlay	237,916	0	15,108	253,024
Debt Service:				
Principal	113,967	310,000	0	423,967
Interest	29,527	283,621	0	313,148
<i>Total Expenditures</i>	<u>21,765,723</u>	<u>625,388</u>	<u>4,807,546</u>	<u>27,198,657</u>
<i>Excess of Revenues Over Expenditures</i>	<u>216,766</u>	<u>68,623</u>	<u>40,879</u>	<u>326,268</u>
<b>Other Financing Sources:</b>				
Insurance Recoveries	7,630	0	0	7,630
Inception of Capital Lease	31,266	0	0	31,266
<i>Total Other Financing Sources</i>	<u>38,896</u>	<u>0</u>	<u>0</u>	<u>38,896</u>
<i>Net Change in Fund Balances</i>	255,662	68,623	40,879	365,164
<i>Fund Balance at Beginning of Year-Restated</i>	<u>12,042,329</u>	<u>2,195,986</u>	<u>918,319</u>	<u>15,156,634</u>
<i>Fund Balance at End of Year</i>	<u>\$12,297,991</u>	<u>\$2,264,609</u>	<u>\$959,198</u>	<u>\$15,521,798</u>

The notes to the basic financial statements are an integral part of this statement.

**Vinton County Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** \$365,164

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 depreciation exceeded capital asset additions in the current period.

Capital Asset Additions	253,024	
Current Year Depreciation	(2,715,023)	
Total	(2,461,999)	(2,461,999)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (34,269)

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

Intergovernmental	(989,203)	
Taxes	1,547,023	
Total	557,820	557,820

The inception of capital lease reported in the statement of revenues, expenditures and changes in fund balances that are reported as other financial sources are not reported as revenues in the statement of activities. (31,266)

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 310,000

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 113,967

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due. 8,451

Bond issuance costs are reported as expenditures in the government funds when due but in the statement of activities these costs are accrued as deferred charges. (3,876)

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

Compensated Absences	(7,543)	
Early Retirement Incentive	60,000	
Premium on Bonds	12,182	
Total	64,639	64,639

**Net Change in Net Assets of Governmental Activities** (\$1,111,369)

The notes to the basic financial statements are an integral part of this statement

**Vinton County Local School District**  
*Statement of Revenues, Expenditures and Change  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property Taxes	\$3,073,300	\$3,073,300	\$3,042,026	(\$31,274)
Intergovernmental	17,532,959	17,550,759	17,180,711	(370,048)
Interest	125,000	125,000	72,241	(52,759)
Tuition and Fees	383,583	383,583	452,307	68,724
Gifts and Donations	0	0	2,500	2,500
Payments in Lieu of Taxes	641,506	641,506	616,224	(25,282)
Miscellaneous	115,000	115,000	159,595	44,595
<i>Total Revenues</i>	<u>21,871,348</u>	<u>21,889,148</u>	<u>21,525,604</u>	<u>(363,544)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	9,462,815	9,465,315	8,788,176	677,139
Special	1,895,069	1,895,069	1,958,182	(63,113)
Vocational	270,672	270,672	271,837	(1,165)
Other	1,230,088	1,230,088	1,161,594	68,494
Support Services:				
Pupils	877,363	895,963	901,121	(5,158)
Instructional Staff	829,158	829,158	832,571	(3,413)
Board of Education	303,355	303,355	321,375	(18,020)
Administration	1,925,138	1,925,138	1,902,640	22,498
Fiscal	385,179	385,179	402,307	(17,128)
Operation and Maintenance of Plant	2,794,445	2,794,445	2,131,645	662,800
Pupil Transportation	2,517,955	2,517,955	2,346,227	171,728
Central	85,300	85,300	16,340	68,960
Operation of Non-Instructional Services	82,690	82,690	142,475	(59,785)
Extracurricular Activities	261,411	261,411	149,094	112,317
<i>Total Expenditures</i>	<u>22,920,638</u>	<u>22,941,738</u>	<u>21,325,584</u>	<u>1,616,154</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,049,290)</u>	<u>(1,052,590)</u>	<u>200,020</u>	<u>1,252,610</u>
<b>Other Financing Sources:</b>				
Insurance Recoveries	0	0	7,630	7,630
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>7,630</u>	<u>7,630</u>
<i>Net Change in Fund Balances</i>	(1,049,290)	(1,052,590)	207,650	1,260,240
<i>Fund Balance at Beginning of Year-Restated</i>	13,936,636	13,936,636	13,936,636	0
<i>Prior Year Encumbrances Appropriated-Restated</i>	<u>602,365</u>	<u>602,365</u>	<u>602,365</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$13,489,711</u>	<u>\$13,486,411</u>	<u>\$14,746,651</u>	<u>\$1,260,240</u>

The notes to the basic financial statements are an integral part of this statement.



**Vinton County Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*As of June 30, 2012*

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	<u>Agency Fund</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$54,736</u>
<i>Total Assets</i>	<u><u>\$54,736</u></u>
<b>Liabilities:</b>	
Due to Students	<u>\$54,736</u>
<i>Total Liabilities</i>	<u><u>\$54,736</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

**Description of the School District**

Vinton County Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's five (5) instructional support facilities staffed by 101 non-certificated, 169 teaching personnel and 16 administrative employees providing education to approximately 2,380 students.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Vinton County Local School 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District has no component units.

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- Parent Teacher Organization
- Booster Club

The District is associated with five organizations, four of which are defined as jointly governed organizations, and one is a group purchasing pool. These organizations are the South Central Ohio Computer Association, the Gallia-Vinton Educational Service Center, the Gallia-Jackson-Vinton Joint Vocational School District, the State Support Team Region 16, and the Workers' Compensation Group Retrospective Rating Program. These organizations are presented in Notes 20 and 21 to the basic financial statements.

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

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

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

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Presentation***

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

*Government-Wide Financial Statements*

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

*Fund Financial Statements*

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

Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***Fund Accounting***

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District fall within two categories: governmental and fiduciary.

*Governmental Funds*

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

The following are the District's major governmental funds:

**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

*Bond Retirement Fund* - This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

The other governmental funds of the District account for grants and other resources of the District whose use is restricted to a particular purpose.

*Fiduciary Funds*

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

***Measurement Focus***

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

***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 and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*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. “Measurable” means the amount of the transaction can be determined, and “available” means that the resources are collectible 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 the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 the fiscal year-end: property taxes available for advance, grants and interest.

*Deferred Revenue*

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

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

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

*Expenses/Expenditures*

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

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

***Cash and Cash Equivalents***

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund’s interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

During the fiscal year 2012, the District's investments were limited to certificates of deposit and the State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investments the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the District during fiscal year 2012 amounted to \$46,164 which includes \$44,607 credited to the General Fund and \$1,557 credited to other governmental funds.

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 presented on the financial statements as cash equivalents.

***Inventory***

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required to be committed for school bus purchases. Restricted assets in the High School Construction Fund reflect amounts held as retainage.

***Capital Assets***

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 - 30 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	6 - 15 years
Vehicles	5 - 10 years

***Interfund Balances***

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables”. These amounts are eliminated in the governmental activities column of the statement of net assets.

***Compensated Absences***

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year-end, taking into consideration any limits specified in the District’s termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 20 years of service with the District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees will be paid. The District reported no matured compensated absences payable at June 30, 2012.

***Accrued Liabilities and Long-Term Liabilities***

All payables, accrued liabilities and long-term liabilities 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, compensated absences, special termination of benefits and contractually required pension contributions 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 in the current year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their 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. Net assets restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's restricted net assets of \$4,255,262 none is restricted by enabling legislation.

***Fund Balance***

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

*Nonspendable* – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

*Committed* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education – the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned* – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.



**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Interfund Transactions***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated on the statement of activities. The District did not transfer funds during fiscal year 2012.

***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. For the fiscal year 2012, the District reported no extraordinary or special items.

***Estimates***

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

***Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The District Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund and function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2012.

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

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 3 – Accountability**

At June 30, 2012, the High School Construction Fund, Public School Preschool Fund, Alternative School Fund, Miscellaneous State Grant Fund, Race to the Top Fund, Title VI-B Fund, Title I Fund, Title VI-R Fund, and Miscellaneous Federal Grant Fund had deficit balances of \$186,271, \$4,392, \$90, \$1,335, \$3,001, \$19,701, \$15,065, \$11,122, and \$782. The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

**Note 4 – Budgetary Basis of Accounting**

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budget basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual is presented for the General Fund on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental funds (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$255,662
Revenue Accruals	(65,391)
Expenditure Accruals	62,996
Encumbrances	(55,413)
(Excess) Deficit of Funds Combined with General Fund for Reporting Purposes	<u>9,796</u>
Budget Basis	<u>\$207,650</u>

As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Uniform School Supplies, Public School Support, and Employee Benefits Funds.

**Note 5 – 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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 accounts including passbook accounts.

Public depositories must give security for all public funds on deposit. 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.

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 or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair 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 fair value 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 division (1) or (2) of this section, 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 (STAROhio);
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
- (8) Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 5 – Deposits and Investments (Continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

*Deposits* – Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at federal reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the federal reserve bank in the name of the District. The District’s policy does not address this risk beyond the requirements of the Ohio Revised Code.

At June 30, 2012, the carrying amount of all District deposits was \$11,763,756. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2012, \$6,756,574 of the District’s bank balance of \$12,031,582 was covered by Federal Deposit Insurance. The remaining \$5,275,008 was collateralized with securities held by the District or its agent in the District’s name.

*Investments* – As of June 30, 2012, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$6,759,041	6 Months or Less

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by keeping the portfolio sufficiently liquid to enable the District to meet all operating requirements.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits their investments to STAR Ohio as described in Ohio Revised Code Section 135.143A(2). Investments in STAR Ohio were rated AAAM by Standard & Poor’s.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s investment policy allows investments in eligible securities as described in the Ohio Revised Code. The District has invested 100 percent of its investments in STAROhio.

*Custodial Credit Risk* – 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 District does not have a policy for custodial credit risk. All of the District’s investments are either insured and registered in the name of the District or at least registered in the name of the District.

**Note 6 – Property Taxes**

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

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 6 – Property Taxes (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2012 (other than public utility property tax) represent the collection of calendar year 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after October 1, 2011, on the value as of December 31, 2011. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Vinton, Gallia, Jackson and Hocking Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by each county by June 30, 2012 are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2012. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

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

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**Note 6 – Property Taxes (Continued)**

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$156,576,340	82.34%	\$154,372,430	81.92%
Public Utility Personal	33,582,930	17.66%	34,076,920	18.08%
<b>Total Assessed Value</b>	<b>\$190,159,270</b>	<b>100.00%</b>	<b>\$188,449,350</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$20.70		\$20.70	

**Note 7 – Payments in Lieu of Taxes**

Vinton County Local School District along with the Vinton County Commissioners and Wilkesville Township entered into an Ohio Enterprise Zone Agreement with Rolling Hills Power Generating Facility formerly Dynegy and Tenaska to develop and equip a natural gas fired electric generation plant in Wilkesville Township. The District receives 63.3%, Township 9.4% and the County 27.3% of the annual personal property tax in lieu of payment. The District received \$616,224 in payments in lieu of taxes during fiscal year 2012.

**Note 8 – Receivables**

Receivables at June 30, 2012 consisted of taxes, payments in lieu of taxes, interfund, interest and intergovernmental grants. 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 intergovernmental receivables follows:

<i>Major Fund:</i>	
General Fund	\$50,834
<i>Nonmajor Funds:</i>	
Public Preschool	15,032
Miscellaneous State Grants	2,523
Education Jobs	211,841
Race to the Top	43,137
Title VI-B	299,281
Title I	291,235
Preschool Handicapped Grant	1,254
Title VI-R	22,907
Miscellaneous Federal Grants	13,995
Total Nonmajor Funds	901,205
Total	\$952,039

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 9 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, the District contracted with Reed and Baur Insurance Agency for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$63,953,889
Commercial Computer Coverage (\$500 deductible)	942,168
Musical Instruments (\$500 deductible)	242,415
Automobile Liability:	
Per Person	1,000,000
Per Accident	1,000,000
Uninsured Motorists:	
Per Person	1,000,000
Per Accident	1,000,000
General Liability:	
Per Occurrence	4,000,000
Aggregate Limit	4,000,000
Public Official Bonds:	
Treasurer	100,000
Superintendent	20,000
Board President	50,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The District has made significant changes in coverage during the past fiscal year. The District decreased its coverage on the building and its contents and general liability coverage as deemed appropriate upon review of insurance needs.

For fiscal year 2012, the District participated in the Workers' Compensation Group Retrospective Rating Program (the Program), an insurance purchasing pool (Note 21). The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm CompManagement provides administrative, cost control and actuarial services to the Program.

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**Note 10 – Capital Assets**

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

Asset Category	Balance at 7/1/11	Transfers/ Additions	Transfers/ Deletions	Balance at 6/30/12
<i>Nondepreciable Capital Assets:</i>				
Land	\$1,376,059	\$0	\$0	\$1,376,059
<i>Depreciable Capital Assets:</i>				
Land Improvements	9,824,715	40,240	0	9,864,955
Buildings and Improvements	59,501,794	6,585	(30,000)	59,478,379
Furniture, Fixtures and Equipment	5,079,462	36,999	(38,674)	5,077,787
Vehicles	2,909,944	169,200	0	3,079,144
Total Depreciable Capital Assets	<u>77,315,915</u>	<u>253,024</u>	<u>(68,674)</u>	<u>77,500,265</u>
Total Capital Assets	78,691,974	253,024	(68,674)	78,876,324
<i>Accumulated Depreciation:</i>				
Land Improvements	(2,544,324)	(484,781)	0	(3,029,105)
Buildings and Improvements	(10,245,180)	(1,776,776)	4,751	(12,017,205)
Furniture, Fixtures and Equipment	(3,064,437)	(362,175)	29,654	(3,396,958)
Vehicles	(2,433,900)	(91,291)	0	(2,525,191)
Total Accumulated Depreciation	<u>(18,287,841)</u>	<u>(2,715,023)</u>	<u>34,405</u>	<u>(20,968,459)</u>
Total Net Capital Assets	<u>\$60,404,133</u>	<u>(\$2,461,999)</u>	<u>(\$34,269)</u>	<u>\$57,907,865</u>

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$2,258,045
Special	24,575
Vocational	319
<i>Support Services:</i>	
Pupils	7,719
Instructional Staff	152,223
Board of Education	29,330
Administration	1,445
Operation and Maintenance	14,006
Pupil Transportation	96,200
Central	10,981
Operation of Non-Instructional Services	39,904
Extracurricular Activities	80,276
Total	<u>\$2,715,023</u>



**Note 11 – Defined Benefit Pension Plans**

*School Employees Retirement System*

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$539,257, \$496,522, and \$509,368, respectively, which equaled the required contributions each year.

*State Teachers Retirement System*

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**Note 11 – Defined Benefit Pension Plans (Continued)**

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 11 – Defined Benefit Pension Plans (Continued)**

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

For the fiscal years ended June 30, 2012, 2011 and 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,317,541, \$1,468,246, and \$1,275,514, respectively; 84 percent of required contributions have been made for fiscal year 2012 and 100 percent of required contributions have been made for fiscal years 2011 and 2010. \$226,100 represents the unpaid contribution for fiscal year 2012 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

*Social Security System*

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, none of the five members of the Board of Education have elected Social Security. If elected, the Board's liability is 6.2 percent of wages paid.

**Note 12 – Postemployment Benefits**

*School Employees Retirement System*

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2012, 2011 and 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent. For the District, contributions for the years ended June 30, 2012, 2011 and 2010, were \$31,846, \$4,473, and \$4,241, which equaled the required allocation for those years.

**Note 12 – Postemployment Benefits (Continued)**

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2012, 2011 and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 percent, respectively. 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the District, contributions assigned to health care for the years ending June 30, 2012, 2011, and 2010 were \$71,491, \$139,950, and \$99,572, respectively.

The SERS 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 upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

*State Teachers Retirement System*

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan; and a Combined Plan that is a hybrid of the Defined Benefit Plan and Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

**Note 12 – Postemployment Benefits (Continued)**

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011 and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$101,349, \$112,942, and \$98,116, for fiscal years 2012, 2011 and 2010, respectively.

**Note 13 – Employee Benefits**

*Compensated Absences*

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, Assistant Superintendent, Transportation Coordinator, and Maintenance Supervisor. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for 25 percent of the employee's accumulated sick leave up to a maximum of 51 days for certified and administrative employees and 65 days for non-certificated employees.

Additionally, certified employees with 30 years but less than 31 years of service are eligible for a \$40,000 severance bonus.

*Retirement Incentive*

The District Board of Education approved a Retirement Incentive Program. Participation is open to members of the Education Association the year in which the member first attains thirty years of service credit with STRS. A teacher who retires with thirty (30) years but less than thirty-one (31) years of service according to STRS rules, is eligible for a severance bonus of \$40,000, payable in four installments of \$10,000, with the first installment to be paid by the time of the second payroll in January following the retirement date, and each subsequent installment by the time of the second payroll in January of the following three years. To be eligible, the teacher must file a letter with the Treasurer stating (1) retirement effective date, and (2) amount of severance bonus applied for by January 1 for a teacher retiring at the end of a school year, and if a teacher is retiring mid-year the letter must be filed 6 months before the retirement date. The retirement incentive program is a part of the negotiated union contract.

*Health, Prescription, Dental and Life Insurance*

The District provides health and prescription benefits to its employees through a fully funded policy with United Health Care. Dental insurance benefits are provided through a policy with Coresource and life insurance is with MEC.

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**Note 14 – Long-Term Obligations**

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

	Issue Date	Interest Rate	Principal Outstanding at 7/1/11	Additions	Deletions	Principal Outstanding at 6/30/12	Amount Due in One Year
<b>Governmental Activities:</b>							
<b>General Obligation</b>							
Bonds	6/15/98	5.01%	\$710,000	\$0	\$225,000	\$485,000	\$235,000
<b>Refunding Bonds:</b>							
Serial Bonds	7/6/05	3-5%	3,165,000	0	85,000	3,080,000	90,000
Term Bonds			1,085,000	0	0	1,085,000	0
Term Bonds			1,030,000	0	0	1,030,000	0
Premium on Bonds			268,014	0	12,182	255,832	0
<b>Total Bonds</b>			<b>6,258,014</b>	<b>0</b>	<b>322,182</b>	<b>5,935,832</b>	<b>325,000</b>
Capital Leases			413,773	31,266	113,967	331,072	114,470
Retirement Incentive			230,000	60,000	120,000	170,000	0
Compensated Absences			649,837	290,721	283,178	657,380	100,211
<b>Total Long-Term Obligations</b>			<b>\$7,551,624</b>	<b>\$381,987</b>	<b>\$839,327</b>	<b>\$7,094,284</b>	<b>\$539,681</b>

*1998 General Obligation Bonds* – General obligation bonds were issued in the amount of \$5,010,000 in July 1998, as a result of the District being approved for \$11,041,812 in school facilities funding through the State Department of Education for the construction of a high school building. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 3.82 mill levy in November 1997. Of the 3.82 mill levy, 3.32 mills is used for the retirement of the bonds that were issued and are in effect for twenty-three years. The remaining .5 mill is used for repairs and maintenance of the facility. As a part of this funding process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the District may become responsible for repayment of a portion of the State's contribution. The general obligation bonds are retired through the Bond Retirement Fund using tax revenues. The final payment on these bonds will be made on December 1, 2020.

*2005 Refunding Bonds* - In July 2005, the District issued \$5,715,000 of voted general obligation bonds for the advance refunding of \$2,015,000 in the 1998 series bonds and the repayment of a \$3,700,000 bond anticipation note. The \$328,924 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 26 years. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$335,768 and a reduction of \$110,498 in future debt service payments. \$3,600,000 was issued as serial bonds with interest rates ranging from 3.0% to 5.0%. \$1,085,000 was issued as term bonds with an interest rate of 5.00%. \$1,030,000 was issued as term bonds with an interest rate of 5.00%. The bonds were issued for a twenty-seven year period, with final maturity December 1, 2032. The refunding bonds will be retired from the Bond Retirement Fund.

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**Note 14 – Long-Term Obligations (Continued)**

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the fiscal years and respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2022	\$135,000
2023	140,000
2024	145,000
2025	155,000
2026	160,000
2027	170,000

The remaining principal amount of such bonds (\$180,000) will be paid at stated maturity on December 1, 2027.

The term bonds maturing on December 1, 2032 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the fiscal years and respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2029	\$185,000
2030	195,000
2031	205,000
2032	215,000

The remaining principal amount of such bonds (\$230,000) will be paid at stated maturity on December 1, 2032.

The bonds maturing on or after December 1, 2015 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any date on or after June 1, 2015, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The serial bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity.

Principal and interest requirements to retire the refunding bonds outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	Serial Bonds	Term Bonds	Term Bonds	Interest	Total
2013	\$90,000	\$0	\$0	\$248,350	\$338,350
2014	100,000	0	0	245,025	345,025
2015	360,000	0	0	234,275	594,275
2016	370,000	0	0	216,025	586,025
2017	390,000	0	0	197,025	587,025
2018-2022	1,770,000	135,000	0	686,875	2,591,875
2023-2027	0	770,000	0	402,500	1,172,500
2028-2032	0	180,000	800,000	184,510	1,164,510
2033	0	0	230,000	5,750	235,750
Totals	<u>\$3,080,000</u>	<u>\$1,085,000</u>	<u>\$1,030,000</u>	<u>\$2,420,335</u>	<u>\$7,615,335</u>

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 14 – Long-Term Obligations (Continued)**

The annual requirements to retire the general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$235,000	\$19,845	\$254,845
2014	250,000	6,750	256,750
Totals	\$485,000	\$26,595	\$511,595

Capital leases are paid from the General Fund. Compensated absences and Retirement Incentives are paid from the fund from which the employee is paid.

The District's voted legal debt margin was \$11,280,442 with an unvoted debt margin of \$188,449 at June 30, 2012.

**Note 15 – Capital Leases – Lessee Disclosure**

In 2012 and in prior years, the District entered into capitalized leases for copier equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. However, these expenditures are reported as current expenditures on the budgetary statement.

Capital assets acquired by lease were initially capitalized in the statement of net assets for governmental activities in the amount of \$555,297 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2012 totaled \$113,967 and were paid from the General Fund.

Principal and interest requirements to retire the capital leases at June 30, 2012 are as follows:

Year Ending June 30	Capital Leases
2013	\$136,819
2014	136,819
2015	82,980
2016	7,608
2017	6,340
Total Debt Payments	370,566
Less: Interest	(39,494)
Total Principal	\$331,072



**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**Note 16 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned 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 constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Prepays	\$34,077	\$0	\$0	\$34,077
Inventory	0	0	9,802	9,802
Total Nonspendable	34,077	0	9,802	43,879
<i>Restricted</i>				
Athletics	0	0	24,161	24,161
Facilities Maintenance	0	0	954,382	954,382
Food Service	0	0	61,148	61,148
Local Grants	0	0	11,894	11,894
State Grants	0	0	3,287	3,287
Federal Grants	0	0	125,331	125,331
Debt Service	0	2,264,609	0	2,264,609
Capital Projects	0	0	10,952	10,952
Total Restricted	0	2,264,609	1,191,155	3,455,764
<i>Committed</i>				
Bus Purchase	1,978	0	0	1,978
Employee Benefits	94,321	0	0	94,321
Total Assigned	96,299	0	0	96,299
<i>Assigned</i>				
Encumbrances	4,554	0	0	4,554
Public School Support	128,137	0	0	128,137
Total Assigned	132,691	0	0	132,691
<i>Unassigned</i>	12,034,924	0	(241,759)	11,793,165
Total Fund Balances	\$12,297,991	\$2,264,609	\$959,198	\$15,521,798

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 17 – Interfund Activity**

As of June 30, 2012, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
<i>Major Fund:</i>		
General Fund	\$233,676	\$0
<i>Nonmajor Funds:</i>		
Intermediate Grant	0	2,587
Education Jobs	0	70,702
Race to the Top	0	21,444
Title VI-B	0	21,637
Title I	0	38,558
Title VI-R	0	2,689
High School Construction	0	76,059
Total Nonmajor Funds	0	233,676
Total	\$233,676	\$233,676

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

**Note 18 – Statutory Set-Asides**

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

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

	Capital Acquisition
Set-Aside Balance as of June 30, 2011	\$0
Current Year Set-Aside Requirement	389,615
Qualifying Disbursements	(389,615)
Totals	\$0
Set-Aside Balance as of June 30, 2012	\$0
Total Restricted Assets	\$0

Amounts of qualifying disbursements presented in the table for capital improvements were limited to those necessary to reduce the fiscal year-end balance to zero. Although the District may have had additional offsets and qualifying disbursements for capital improvements during the fiscal year, this extra amount may not be used to reduce the set-aside requirements of future fiscal years.

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 19 – Encumbrance Commitments**

At June 30, 2012, the District had encumbrance commitments in governmental funds as follows:

<i>Major Funds</i>	
General	\$56,130
Building	110,467
<i>Nonmajor Funds</i>	
Classroom Facilities Maintenance	21,744
Athletics	2,184
Title VI-R	1,708
Total Nonmajor Funds	<u>25,636</u>
Total Encumbrances	<u>\$192,233</u>

See Note 23 for contractual commitments disclosures.

**Note 20 – Jointly Governed Organizations**

*South Central Ohio Computer Association*

The District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Gallia, Pickaway Jackson, Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA \$142,458 for services provided during fiscal year 2012. Financial information for SCOCA can be obtained from their fiscal agent, Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

*Gallia-Vinton Educational Service Center*

The Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the Educational Service Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2012, the District made no contributions to the Educational Service Center. To obtain financial information, write to the Gallia-Vinton Educational Service Center, P.O. Box 178, Rio Grande, Ohio 45674.

**Note 20 – Jointly Governed Organizations (Continued)**

*Gallia-Jackson-Vinton Joint Vocational School District*

The Gallia-Jackson-Vinton Joint Vocational School is a jointly governed organization providing vocational services to its six participating school districts. The Joint Vocational School is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the Joint Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2012, the District made no contributions to the Joint Vocational School. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, P.O. Box 157, Rio Grande, Ohio 45674.

*State Support Team - Region 16*

The State Support Team - Region 16 (SST) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SST is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Superintendent of the District is on the SST Board and the District also has a local representative that serves as an alternate for the SST Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**Note 21 – Group Purchasing Pool**

*Workers' Compensation Group Retrospective Rating Program*

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

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

**Note 22 – Contingencies**

*Grants*

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**Note 22 – Contingencies (Continued)**

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

*Litigation*

The District is party to legal proceedings. It is the District's management's opinion that the ultimate outcome of the proceedings will not materially adversely affect the District's finances.

**Note 23 – Contractual Commitments**

As of June 30, 2012, the District had significant contractual commitments related to the construction of new facilities. The amount for each contractor is as follows:

Contractor	Purchase Commitments	Amounts Paid as of 6/30/12	Amounts Remaining on Contracts
Pezzo Construction, Inc.	\$2,123,010	\$2,066,673	\$56,337
Advanced Technical Group	599,013	551,638	47,375
H & A Mechanical	1,001,145	997,130	4,015
Four Seasons Environmental	139,455	135,866	3,589
Total	\$3,862,623	\$3,751,307	\$111,316

**Note 24 – Restatement of Beginning Balances**

The District converted an old outstanding advance to a transfer which required a restatement of beginning balances. That restatement had the following effect on beginning balances.

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2011	\$12,057,413	\$903,235
Restatements	(15,084)	15,084
Fund Balance, Restated, June 30, 2011	\$12,042,329	\$918,319

Beginning balances and prior year encumbrances appropriated per the budgetary statement presented for the General Fund improperly included cash balances and carryover encumbrances of certain special revenue funds that are combined with the General Fund for reporting purposes in accordance with GASB Statement No. 54 (see Note 4). These funds are separately budgeted by the District and as such those respective balances were removed from the beginning balances of the budgetary statement. That restatement had the following effect on budgetary basis beginning balances.

**Vinton County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 24 – Restatement of Beginning Balances (Continued)**

	General Fund Balance – Budgetary Basis	General Fund – Prior Year Encumbrances Appropriated
As Reported, June 30, 2011	\$14,171,076	\$606,117
Restatements	(234,440)	(3,752)
Fund Balance, Restated, June 30, 2011	\$13,936,636	\$602,365

**Note 25 – Subsequent Event**

Effective July 1, 2012, the District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association. SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. SCOCACoG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

**Vinton County Local School District**  
**Vinton County**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2012*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>United States Department of Agriculture</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$589,928	\$0	589,928	\$0
National School Lunch Program	3L60	10.555	314,992	59,515	314,992	59,515
Total Child Nutrition Cluster			<u>904,920</u>	<u>59,515</u>	<u>904,920</u>	<u>59,515</u>
Fresh Fruit and Vegetable Program	3L60	10.582	14,038	0	14,038	0
<b>Total United States Department of Agriculture</b>			<b>918,958</b>	<b>59,515</b>	<b>918,958</b>	<b>59,515</b>
<b><u>United States Department of Education</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	554,724	0	571,525	0
Special Education-Grants to States, Recovery Act	3DJ0	84.391	37,342	0	16,169	0
Special Education-Preschool Grants	3C50	84.173	21,442	0	20,561	0
Special Education-Preschool Grants, Recovery Act	3DL0	84.392	2,128	0	1,113	0
Total Special Education Cluster			<u>615,636</u>	<u>0</u>	<u>609,368</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	1,106,269	0	1,022,123	0
Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	47,966	0	24,932	0
Total Title I Cluster			<u>1,154,235</u>	<u>0</u>	<u>1,047,055</u>	<u>0</u>
Educational Technology State Grants Cluster:						
Educational Technology State Grants	3S20	84.318	7,213	0	7,213	0
Educational Technology State Grants, Recovery Act	3DMO	84.386	19,266	0	6,873	0
Total Educational Technology State Grants Cluster:			<u>26,479</u>	<u>0</u>	<u>14,086</u>	<u>0</u>
Education Jobs Fund	3ET0	84.410	727,739	0	798,442	0
Twenty-First Century Community Learning Centers	3Y20	84.287	250,806	0	239,796	0
Rural Education	3Y80	84.358	54,057	0	53,405	0
Improving Teacher Quality State Grants	3Y60	84.367	170,289	0	172,323	0
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	203,298	0	209,463	0
<b>Total United States Department of Education</b>			<b>3,202,539</b>	<b>0</b>	<b>3,143,938</b>	<b>0</b>
<b>Total Federal Financial Assistance</b>			<b>\$4,121,497</b>	<b>\$59,515</b>	<b>\$4,062,896</b>	<b>\$59,515</b>

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

**Vinton County Local School District**  
**Vinton County**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 1 – Significant Accounting Policies**

The accompanying schedule of federal awards expenditures includes the federal grant activity of the District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 – Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**Note 3 – Matching Requirements**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
Vinton County Local School District  
307 West High Street  
McArthur, Ohio 45651

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vinton County Local School District, Vinton County, (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Vinton County Local School District  
Vinton County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

We noted certain matters that we reported to management of the District in a separate letter dated  
December 27, 2012.

This report is intended solely for the information and use of management, the Board of Education, others  
within the District, federal awarding agencies, and pass-through entities and is not intended to be and  
should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Natalie Millhuff-Stang".

Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 27, 2012

**Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

**Independent Auditor's Report**

Board of Education  
Vinton County Local School District  
307 West High Street  
McArthur, Ohio 45651

**Compliance**

We have audited Vinton County Local School District's, Vinton County, (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Vinton County Local School District  
Vinton County

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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### **Internal Control Over Compliance (Continued)**

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

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

This report is intended solely for the information and use of management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 27, 2012

**Vinton County Local School District**  
**Vinton County**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2012*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>		
Type of financial statement opinion:		Unqualified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Child Nutrition Cluster (CFDA #10.553 & 10.555)  Education Jobs Fund (CFDA #84.410)
Dollar threshold used to distinguish between type A and type B programs:		Type A: > \$300,000 Type B: All Others
Auditee qualified as low-risk auditee?		Yes

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**Vinton County Local School District**

**Vinton County**

*Schedule of Prior Audit Findings*

*OMB Circular A-133 Section .315(b)*

*For the Fiscal Year Ended June 30, 2012*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2011-1	Significant deficiency – financial reporting	Yes	



# Dave Yost • Auditor of State

VINTON COUNTY LOCAL SCHOOL DISTRICT

VINTON 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  
FEBRUARY 21, 2013