



Dave Yost • Auditor of State

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 19, 2015

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

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

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

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position of governmental activities increased \$1,095,239 which represents an increase of 2.30% from 2013.
- General revenues accounted for \$10,782,863 in revenue or 71.97% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,200,508 or 28.03% of total revenues of \$14,983,371.
- The District had \$13,888,132 in expenses related to governmental activities; \$4,200,508 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,782,863 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, permanent improvement fund and classroom facilities fund. The general fund had \$13,940,488 in revenues and \$12,788,792 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance increased \$1,151,696 from a balance of \$5,877,041 to \$7,028,737.
- The permanent improvement fund had \$815,642 in revenues and other financing sources and \$750,897 in expenditures. During fiscal year 2014, the permanent improvement fund's fund balance increased \$64,745 from \$6,295,943 to \$6,360,688.
- The classroom facilities fund had \$39,045 in revenues and \$50,461 in expenditures. During fiscal year 2014, the classroom facilities fund's fund balance decreased \$11,416 from a deficit of \$91,873 to a deficit balance of \$103,289.

Using these Basic Financial Statements

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

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

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

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

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Assets</u>		
Current and other assets	\$ 21,108,836	\$ 19,826,810
Capital assets, net	<u>38,102,502</u>	<u>38,474,598</u>
Total assets	<u>59,211,338</u>	<u>58,301,408</u>
<u>Liabilities</u>		
Current liabilities	1,373,765	1,407,474
Long-term liabilities	<u>5,555,451</u>	<u>5,856,474</u>
Total liabilities	<u>6,929,216</u>	<u>7,263,948</u>
Deferred inflows of resources	<u>3,539,281</u>	<u>3,389,858</u>
Total liabilities and deferred inflows of resources	<u>10,468,497</u>	<u>10,653,806</u>
<u>Net Position</u>		
Net investment in capital assets	33,654,588	33,546,479
Restricted	2,554,717	2,320,054
Unrestricted	<u>12,533,536</u>	<u>11,781,069</u>
Total net position	<u>\$ 48,742,841</u>	<u>\$ 47,647,602</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$48,742,841. Of this total, \$12,533,536 is unrestricted in use.

At year-end, capital assets represented 64.35% of total assets. Capital assets include land, construction in progress, buildings and building improvements, furniture, fixtures and equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$33,654,588. These capital assets are used to provide services to the students and are not available for future spending.

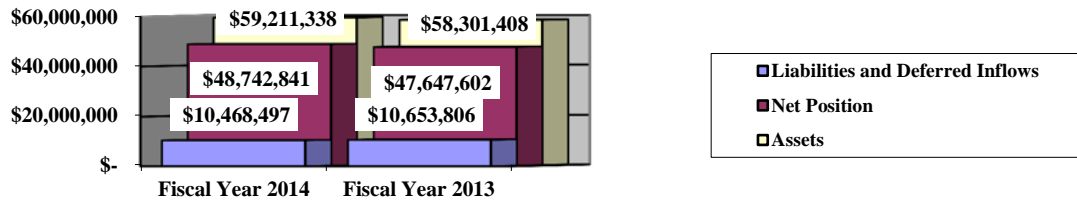
A portion of the District's net position, \$2,554,717, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$12,533,536 may be used to meet the District's ongoing obligations to the students and creditors.

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

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

The table below presents the District's governmental activities liabilities and deferred inflows, net position and assets as of June 30, 2014 and June 30, 2013.

Governmental Activities



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

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,192,500	\$ 929,898
Operating grants and contributions	3,008,008	1,590,984
General revenues:		
Property taxes	3,824,312	4,312,157
Grants and entitlements	6,599,563	8,315,036
Investment earnings	98,790	74,315
Other	<u>260,198</u>	<u>176,492</u>
Total revenues	<u>14,983,371</u>	<u>15,398,882</u>

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

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

Change in Net Position

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	111,843	161,045
Special	204,242	185,935
Vocational	8,025,834	8,506,398
Adult/continuing	702,829	616,131
Support services:		
Pupil	594,601	577,195
Instructional staff	871,427	816,367
Board of education	72,956	46,946
Administration	980,601	968,127
Fiscal	487,662	528,505
Operations and maintenance	1,482,424	1,359,042
Pupil transportation	85,710	66,208
Operations of non-instructional services:		
Other non-instructional services	67,237	2,346
Food service operations	98,224	229,515
Extracurricular activities	11,078	14,614
Interest and fiscal charges	<u>91,464</u>	<u>176,113</u>
Total expenses	<u>13,888,132</u>	<u>14,254,487</u>
Change in net position	1,095,239	1,144,395
Net position at beginning of year	<u>47,647,602</u>	<u>46,503,207</u>
Net position at end of year	<u>\$ 48,742,841</u>	<u>\$ 47,647,602</u>

Governmental Activities

Net position of the District's governmental activities increased \$1,095,239. Total governmental expenses of \$13,888,132 were offset by program revenues of \$4,200,508 and general revenues of \$10,782,863. Program revenues supported 30.25% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 69.57% of total governmental revenue.

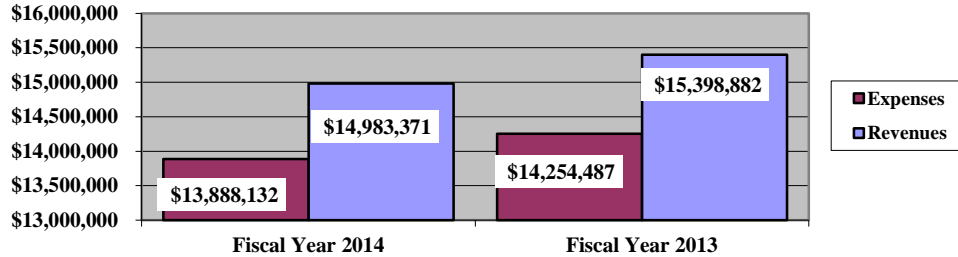
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,044,748 or 65.13% of total governmental expenses for fiscal year 2014.

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

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

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

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 111,843	\$ 111,843	\$ 161,045	\$ 161,045
Special	204,242	204,242	185,935	185,935
Vocational	8,025,834	4,976,571	8,506,398	7,079,793
Adult/continuing	702,829	11,131	616,131	(15,751)
Support services:				
Pupil	594,601	510,486	577,195	493,655
Instructional staff	871,427	735,778	816,367	670,444
Board of education	72,956	72,956	46,946	46,946
Administration	980,601	950,680	968,127	941,041
Fiscal	487,662	487,662	528,505	528,505
Operations and maintenance	1,482,424	1,424,980	1,359,042	1,309,503
Pupil transportation	85,710	85,710	66,208	66,208
Operations of non-instructional services:				
Other non-instructional services	67,237	66,433	2,346	2,346
Food service operations	98,224	(53,390)	229,515	73,208
Extracurricular activities	11,078	11,078	14,614	14,614
Interest and fiscal charges	91,464	91,464	176,113	176,113
Total expenses	<u>\$ 13,888,132</u>	<u>\$ 9,687,624</u>	<u>\$ 14,254,487</u>	<u>\$ 11,733,605</u>

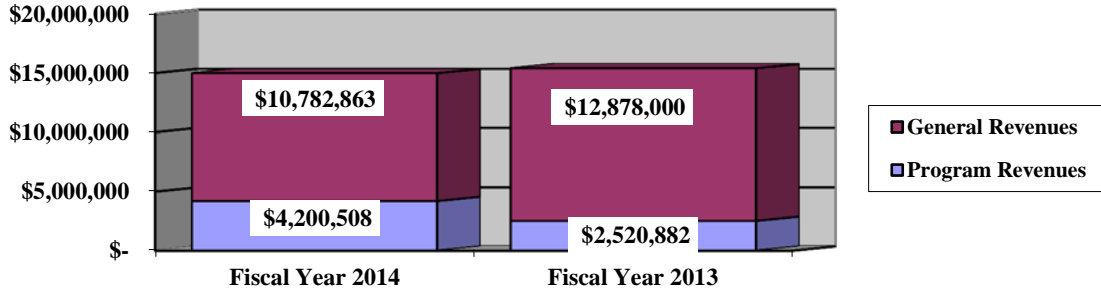
The dependence upon tax and other general revenues for governmental activities is apparent; 58.64% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 69.75%. The District's taxpayers and State funding are the primary support for District's students.

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

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

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

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$15,273,212, which is more than last year's total of \$13,784,805. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance (deficit) <u>June 30, 2014</u>	Fund Balance (deficit) <u>June 30, 2013</u>	Increase (decrease)	Percentage Change
General	\$ 7,028,737	\$ 5,877,041	\$ 1,151,696	19.60 %
Permanent Improvement	6,360,688	6,295,943	64,745	1.03 %
Classroom Facilities	(103,289)	(91,873)	(11,416)	(12.43) %
Other Governmental	<u>1,987,076</u>	<u>1,703,694</u>	<u>283,382</u>	16.63 %
Total	<u>\$ 15,273,212</u>	<u>\$ 13,784,805</u>	<u>\$ 1,488,407</u>	10.80 %

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

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

General Fund

The District's general fund balance increased \$1,151,696 or 19.60%.

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,091,428	\$ 4,021,892	\$ 69,536	1.73 %
Earnings on investments	98,684	74,938	23,746	31.69 %
Rent	42,044	35,797	6,247	17.45 %
Classroom materials and fees	106,206	98,970	7,236	7.31 %
Intergovernmental	8,794,538	9,115,216	(320,678)	(3.52) %
Other revenues	<u>807,588</u>	<u>504,264</u>	<u>303,324</u>	60.15 %
Total	<u>\$ 13,940,488</u>	<u>\$ 13,851,077</u>	<u>\$ 89,411</u>	0.65 %
<u>Expenditures</u>				
Instruction	\$ 7,576,280	\$ 8,285,599	\$ (709,319)	(8.56) %
Support services	3,888,818	3,761,523	127,295	3.38 %
Extracurricular activities	11,078	14,614	(3,536)	(24.20) %
Capital outlay	-	73,364	(73,364)	(100.00) %
Debt service	<u>103,295</u>	<u>108,851</u>	<u>(5,556)</u>	(5.10) %
Total	<u>\$ 11,579,471</u>	<u>\$ 12,243,951</u>	<u>\$ (664,480)</u>	(5.43) %

Earnings on investments increased \$23,746 or 31.69% from the prior year due to higher rates of return on the Districts current portfolio of investments when compared to previous fiscal years. Rent revenue increased \$6,247 or 17.45% from the prior year due mainly to being able to rent the Vanguard facility since the completion of the OFCC project. Other revenues increased \$303,324 or 60.15% from the prior fiscal year due mainly to more tuition revenue being received from satellite programs and for miscellaneous fees. Capital outlay expenditures decreased \$73,364 or 100.00% due to the inception of a capital lease for copier equipment in fiscal year 2013. All other revenues and expenditures remain comparable to the prior year.

Permanent Improvement Fund

The permanent improvement fund had \$815,642 in revenues and other financing sources and \$750,897 in expenditures. During fiscal year 2014, the permanent improvement fund's fund balance increased \$64,745 from \$6,295,943 to \$6,360,688.

Classroom Facilities Fund

The classroom facilities fund had \$39,045 in revenues and \$50,461 in expenditures. During fiscal year 2014, the classroom facilities fund's fund balance decreased \$11,416 from a deficit of \$91,873 to a deficit balance of \$103,289.

General Fund Budgeting Highlights

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

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

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

During the course of fiscal year 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$13,681,709 and final budgeted revenues and other financing sources were \$13,875,160. Actual revenues and other financing sources for fiscal year 2014 were \$13,875,167.

General fund original appropriations (appropriated expenditures including other financing uses) were \$14,403,537 and the final appropriations were \$14,403,537. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$13,278,081, which was \$1,125,456 less than the final budget appropriations, due to controls on spending.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$38,102,502 invested in land, buildings and building improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2014 balances compared to 2013:

**Capital Assets at June 30, 2014
(Net of Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$ 795,737	\$ 795,737
Construction in progress	-	30,750,499
Building and building improvements	36,194,170	6,129,219
Furniture, fixtures and equipment	1,067,442	770,951
Vehicles	45,153	28,192
Total	<u>\$ 38,102,502</u>	<u>\$ 38,474,598</u>

The overall decrease in capital assets of \$372,096 is due to depreciation expense of \$728,932 exceeding capital outlays of \$415,398 and disposals of \$58,562 (net of accumulated depreciation) in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2014, the District had \$4,400,000 in qualified school construction bond certificates of participation outstanding and \$47,914 in capital lease obligations outstanding. Of this total, \$379,740 is due within one year and \$4,068,174 is due in more than one year. The following table summarizes the outstanding debt at year end.

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

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

Outstanding Debt, at Fiscal Year End

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
2010 Certificates of Participation	\$ 4,400,000	\$ 4,755,000
Capital lease obligations	<u>47,914</u>	<u>61,936</u>
Total	<u>\$ 4,447,914</u>	<u>\$ 4,816,936</u>

At June 30, 2014, the District's overall legal debt margin was \$260,287,927, and an unvoted debt margin of \$2,892,088.

See Note 10 to the basic financial statements for additional information on the District's long-term obligations.

Current Financial Related Activities

The District remains financially stable despite the uncertainty of future State funding. The District is primarily a residential/farming community covering 14 public school districts in nine northwest Ohio counties.

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

The District reached a new labor contract with its certified employees in May, 2014 for a three year period ending June 30, 2017. Similar terms were awarded to classified staff.

Contacting the District's Financial Management

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

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

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 15,973,048
Cash in segregated accounts	632
Receivables:	
Property taxes	4,257,638
Accounts	914
Accrued interest	34,431
Intergovernmental	795,306
Prepayments	38,276
Inventory held for resale	3,352
Materials and supplies inventory	5,239
Capital assets:	
Nondepreciable capital assets	795,737
Depreciable capital assets, net	37,306,765
Capital assets, net	<u>38,102,502</u>
 Total assets	 <u>59,211,338</u>
 Liabilities:	
Accounts payable	186,782
Contracts payable	34,944
Accrued wages and benefits payable	948,202
Pension obligation payable	147,083
Intergovernmental payable	49,901
Accrued interest payable	6,853
Long-term liabilities:	
Due within one year	489,649
Due in more than one year	5,065,802
 Total liabilities	 <u>6,929,216</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	<u>3,539,281</u>
 Net position:	
Net investment in capital assets	33,654,588
Restricted for:	
Capital projects	657,150
Classroom facilities maintenance	1,335,640
Adult education	404,269
Expendable trust	108,505
Other purposes	49,153
Unrestricted	12,533,536
 Total net position	 <u>\$ 48,742,841</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 111,843			\$ (111,843)
Special	204,242			(204,242)
Vocational	8,025,834	\$ 653,838	\$ 2,395,425	(4,976,571)
Adult/continuing.	702,829	424,082	267,616	(11,131)
Support services:				
Pupil.	594,601		84,115	(510,486)
Instructional staff	871,427		135,649	(735,778)
Board of education	72,956			(72,956)
Administration.	980,601		29,921	(950,680)
Fiscal.	487,662			(487,662)
Operations and maintenance	1,482,424	57,444		(1,424,980)
Pupil transportation.	85,710			(85,710)
Operation of non-instructional services:				
Other non-instructional services	67,237		804	(66,433)
Food service operations	98,224	57,136	94,478	53,390
Extracurricular activities.	11,078			(11,078)
Interest and fiscal charges	91,464			(91,464)
Total governmental activities	\$ 13,888,132	\$ 1,192,500	\$ 3,008,008	(9,687,624)
General revenues:				
Property taxes levied for:				
General purposes				3,824,312
Grants and entitlements not restricted to specific programs.				6,599,563
Investment earnings				98,790
Miscellaneous				260,198
Total general revenues				10,782,863
Change in net position				1,095,239
Net position at beginning of year				47,647,602
Net position at end of year.				\$ 48,742,841

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 7,520,900	\$ 6,390,495	\$ 19	\$ 2,061,634	\$ 15,973,048
Cash in segregated accounts	632				632
Receivables:					
Property taxes	4,257,638				4,257,638
Accounts	914				914
Intergovernmental	22,054		709,978	63,274	795,306
Accrued interest	34,431				34,431
Interfund loans	113,171				113,171
Prepayments	36,954			1,322	38,276
Materials and supplies inventory				5,239	5,239
Inventory held for resale	3,352			-	3,352
Total assets	<u>\$ 11,990,046</u>	<u>\$ 6,390,495</u>	<u>\$ 709,997</u>	<u>\$ 2,131,469</u>	<u>\$ 21,222,007</u>
Liabilities:					
Accounts payable	\$ 178,626			\$ 8,156	\$ 186,782
Contracts payable		\$ 29,807	\$ 5,137		34,944
Accrued wages and benefits payable	860,569			87,633	948,202
Pension obligation payable	118,864			28,219	147,083
Interfund loans payable	-		98,171	15,000	113,171
Intergovernmental payable	44,516			5,385	49,901
Total liabilities	<u>1,202,575</u>	<u>29,807</u>	<u>103,308</u>	<u>144,393</u>	<u>1,480,083</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	3,539,281				3,539,281
Delinquent property tax revenue not available	195,298				195,298
Accrued interest not available	24,155				24,155
Intergovernmental revenue not available	-		709,978		709,978
Total deferred inflows of resources	<u>3,758,734</u>		<u>709,978</u>		<u>4,468,712</u>
Fund balances:					
Nonspendable:					
Inventory	3,352			5,239	8,591
Prepays	36,954			1,322	38,276
Restricted:					
Vocational education				112,585	112,585
Adult education				459,448	459,448
Classroom facilities maintenance				1,337,804	1,337,804
Food service operations				70,678	70,678
Committed:					
Student instruction	266,800				266,800
Assigned:					
Student instruction	117,821				117,821
Student and staff support	66,923				66,923
Uniform school supplies	15,460				15,460
Public school support	20,667				20,667
Subsequent year's appropriations	26,215				26,215
Debt service		4,400,000			4,400,000
Capital improvements		1,960,688			1,960,688
Other purposes	170,736				170,736
Unassigned (deficit)	6,303,809		(103,289)		6,200,520
Total fund balances (deficit)	<u>7,028,737</u>	<u>6,360,688</u>	<u>(103,289)</u>	<u>1,987,076</u>	<u>15,273,212</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,990,046</u>	<u>\$ 6,390,495</u>	<u>\$ 709,997</u>	<u>\$ 2,131,469</u>	<u>\$ 21,222,007</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Total governmental fund balances		\$	15,273,212
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			38,102,502
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	195,298	
Accrued interest receivable		24,155	
Intergovernmental receivable		709,978	
Total		929,431	929,431
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(6,853)
Long-term liabilities, including certificates of participation and capital lease obligations payable, are not due and payable in the current period and therefore are not reported in the funds.			
2010 Certificates of participation		4,400,000	
Capital lease obligations		47,914	
Compensated absences		1,107,537	
Total		(5,555,451)	(5,555,451)
Net position of governmental activities		\$	48,742,841

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 4,091,428				\$ 4,091,428
Tuition	310,234			\$ 424,082	734,316
Earnings on investments	98,684			443	99,127
Charges for services	-			57,136	57,136
Classroom materials and fees	106,206				106,206
Rental income	42,044	\$ 15,400			57,444
Contributions and donations	5,962				5,962
Contract services	74,191				74,191
Other local revenues	417,201	242		327	417,770
Intergovernmental - state	8,794,538		\$ 39,045	238,276	9,071,859
Intergovernmental - federal	-			590,612	590,612
Total revenues	<u>13,940,488</u>	<u>15,642</u>	<u>39,045</u>	<u>1,310,876</u>	<u>15,306,051</u>
Expenditures:					
Current:					
Instruction:					
Regular	111,843				111,843
Special	188,798				188,798
Vocational	7,275,639			198,059	7,473,698
Adult/continuing				657,844	657,844
Support services:					
Pupil	481,382			83,094	564,476
Instructional staff	662,487			136,695	799,182
Board of education	72,956				72,956
Administration	895,621			29,849	925,470
Fiscal	460,245				460,245
Operations and maintenance	1,230,417			160,497	1,390,914
Pupil transportation	85,710				85,710
Operation of non-instructional services:					
Other non-instructional services				814	814
Food service operations				167,187	167,187
Extracurricular activities	11,078				11,078
Facilities acquisition and construction		395,897	50,461		446,358
Debt service:					
Principal retirement	11,705	355,000		2,317	369,022
Interest and fiscal charges	91,590			459	92,049
Total expenditures	<u>11,579,471</u>	<u>750,897</u>	<u>50,461</u>	<u>1,436,815</u>	<u>13,817,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,361,017</u>	<u>(735,255)</u>	<u>(11,416)</u>	<u>(125,939)</u>	<u>1,488,407</u>
Other financing sources (uses):					
Transfers in		800,000		409,321	1,209,321
Transfers (out)	<u>(1,209,321)</u>				<u>(1,209,321)</u>
Total other financing sources (uses)	<u>(1,209,321)</u>	<u>800,000</u>		<u>409,321</u>	
Net change in fund balances	1,151,696	64,745	(11,416)	283,382	1,488,407
Fund balances at beginning of year (deficit)	<u>5,877,041</u>	<u>6,295,943</u>	<u>(91,873)</u>	<u>1,703,694</u>	<u>13,784,805</u>
Fund balances at end of year (deficit)	<u>\$ 7,028,737</u>	<u>\$ 6,360,688</u>	<u>\$ (103,289)</u>	<u>\$ 1,987,076</u>	<u>\$ 15,273,212</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Net change in fund balances - total governmental funds	\$	1,488,407
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 415,398	
Current year depreciation	(728,932)	
Total		(313,534)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(58,562)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(267,116)	
Earnings on investments	106	
Intergovernmental	(55,670)	
Total		(322,680)
Repayment of certificates of participation and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Certificates of participation	355,000	
Capital leases	14,022	
Total		369,022
In the statement of activities, interest is accrued on outstanding certificates of participation, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable		585
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(67,999)
Change in net position of governmental activities	\$	1,095,239

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,006,738	\$ 4,101,910	\$ 4,101,911	\$ 1
Tuition	310,234	310,234	310,234	
Earnings on investments	80,000	71,320	71,320	
Classroom materials and fees	82,800	82,152	82,153	1
Rental income	38,000	42,004	42,004	
Other local revenues	206,000	414,038	414,040	2
Intergovernmental - state	8,835,766	8,794,536	8,794,538	2
Total revenues	13,559,538	13,816,194	13,816,200	6
Expenditures:				
Current:				
Instruction:				
Regular	120,995	124,413	123,373	1,040
Special	189,686	190,388	188,439	1,949
Vocational	8,413,184	8,379,841	7,672,309	707,532
Support services:				
Pupil	504,802	506,410	484,303	22,107
Instructional staff	659,154	668,208	661,222	6,986
Board of education	152,742	150,944	75,231	75,713
Administration	919,914	935,687	898,004	37,683
Fiscal	487,108	487,313	463,168	24,145
Operations and maintenance	1,494,127	1,498,491	1,303,825	194,666
Pupil transportation	103,242	103,259	86,115	17,144
Extracurricular activities	10,000	9,874	8,500	1,374
Debt service:				
Interest and fiscal charges	89,262	89,388	89,271	117
Total expenditures	13,144,216	13,144,216	12,053,760	1,090,456
Excess of revenues over expenditures	415,322	671,978	1,762,440	1,090,462
Other financing sources (uses):				
Refund of prior year's expenditures		3,109	3,109	
Transfers (out)	(1,209,321)	(1,209,321)	(1,209,321)	
Advances in	113,171	15,000	15,000	
Advances (out)	(50,000)	(50,000)	(15,000)	35,000
Sale of capital assets	9,000	40,857	40,858	1
Total other financing sources (uses)	(1,137,150)	(1,200,355)	(1,165,354)	35,001
Net change in fund balance	(721,828)	(528,377)	597,086	1,125,463
Fund balance at beginning of year	5,390,435	5,390,435	5,390,435	
Prior year encumbrances appropriated	685,504	685,504	685,504	
Fund balance at end of year	\$ 5,354,111	\$ 5,547,562	\$ 6,673,025	\$ 1,125,463

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2014**

		<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$	72,072
Receivables:		
Accounts		60
Prepayments		<u>73</u>
Total assets.	<u>\$</u>	<u>72,205</u>
Liabilities:		
Accounts payable.	\$	4,724
Due to students.		<u>67,481</u>
Total liabilities	<u>\$</u>	<u>72,205</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

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

The District serves an area of approximately 1600 square miles with an enrollment of 828 students. The District employed 14 administrative and supervisory personnel, 74 certified employees and 31 non-certificated employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

The Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-six area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among members. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school and representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating schools are located. The degree of control exercised by any participating school is limited to its representation on the Board. The District paid \$22,012 to NOECA for services during fiscal year 2014. Financial information can be obtained by contacting Matthew Bauer, who serves as controller, at 219 Howard Drive, Sandusky, Ohio 44870.

INSURANCE POOLS

Better Business Bureau of Central Ohio's Workers' Compensation Group Retrospective Rating Plan

The District participates in the Better Business Bureau Group Retrospective Rating Plan Program (the "GRP"), an insurance purchasing pool. The GRP's business and affairs are conducted by Sheakley Uniservice Inc. Sheakley Uniservice Inc. serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program. Refer to Note 11 for further information on the GRP.

San-Ott Schools Employee Welfare Benefit Association

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association (the "Association"), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$150,000 and aggregate claims in excess of 120 percent of expected claims.

B. Basis of Presentation and Measurement Focus

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position 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 position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the

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

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

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

operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

FIDUCIARY FUNDS

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

D. Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Budgetary Process

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

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

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

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

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each

fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2014, investments were limited to non-negotiable certificates of deposit, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$98,684, which includes \$53,936 assigned from other District funds.

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

G. Prepayments

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

At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

H. Inventory

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

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

Inventory consists of resale supplies and donated and purchased food.

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

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

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

I. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2014, the balance in the budget stabilization reserve was \$615,909. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

J. Capital Assets

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

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

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

<u>Description</u>	<u>Useful Lives</u>
Buildings and Building Improvements	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	5 years

K. Interfund Balances

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

L. Compensated Absences

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

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

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

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Position

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

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

O. Fund Balance

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

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

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

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

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

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

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

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

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

R. Estimates

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

B. Deficit Fund Balances

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

<u>Major fund</u>	<u>Deficit</u>
Classroom facilities	\$ 103,289

The general fund is liable for the deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

At year-end, the District had \$632 in change funds on hand which is included on the financial statements of the District as part of "cash in segregated accounts."

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$13,037,260, which includes \$7,267,269 in non-negotiable certificates of deposit. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$9,571,499 of the District's bank balance of \$13,339,142 was exposed to custodial risk as discussed below, while \$3,767,643 was covered by the FDIC.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

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

Investment type	Fair Value	Investment Maturities				
		6 months or less	17 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 150	\$ 150	\$ -	\$ -	\$ -	\$ -
FHLB	2,001,490	-	-	-	-	2,001,490
FNMA	1,006,220	-	-	-	-	1,006,220
Total	<u>\$ 3,007,860</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,007,710</u>

The weighted average maturity of investments is 3.97 years.

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

Credit Risk: The District's investments in federal agency securities were rated AA+ and Aaa by Moody's Investor Services and Standard & Poor's, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 150	0.01
FHLB	2,001,490	66.54
FNMA	<u>1,006,220</u>	<u>33.45</u>
Total	<u>\$ 3,007,860</u>	<u>100.00</u>

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 13,037,260
Investments	3,007,860
Cash on hand	<u>632</u>
Total	<u>\$ 16,045,752</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 15,973,680
Agency funds	<u>72,072</u>
Total	<u>\$ 16,045,752</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2014 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

General fund	Classroom facilities	\$ 98,171
General fund	Adult basic literady education (a nonmajor governmental fund)	<u>15,000</u>
Total		<u>\$ 113,171</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the statement of net position.

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

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

<u>Transfers from general fund to:</u>	<u>Amount</u>
Permanent improvement fund	\$ 800,000
OSFC Maintenance fund (nonmajor governmental fund)	<u>409,321</u>
Total	<u>\$ 1,209,321</u>

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from nine counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$523,059 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$533,542 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 2,674,222,230	95.31	\$ 2,731,759,170	94.46
Public utility personal	<u>131,652,880</u>	<u>4.69</u>	<u>160,328,910</u>	<u>5.54</u>
Total	<u>\$ 2,805,875,110</u>	<u>100.00</u>	<u>\$ 2,892,088,080</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$1.60		 \$1.60	

NOTE 7 - RECEIVABLES

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

Governmental activities:	
Property taxes	\$ 4,257,638
Accounts	914
Accrued interest	34,431
Intergovernmental	<u>795,306</u>
Total	<u>\$ 5,088,289</u>

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

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

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

NOTE 8 - CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 795,737	\$ -	\$ -	\$ 795,737
Construction in progress	30,750,499	-	(30,750,499)	-
Total capital assets, not being depreciated	<u>31,546,236</u>	<u>-</u>	<u>(30,750,499)</u>	<u>795,737</u>
<i>Capital assets, being depreciated:</i>				
Buildings and building improvements	16,063,205	30,499,600	(1,644,045)	44,918,760
Furniture, fixtures and equipment	4,486,234	635,260	(678,546)	4,442,948
Vehicles	<u>580,697</u>	<u>31,037</u>	<u>(10,680)</u>	<u>601,054</u>
Total capital assets, being depreciated	<u>21,130,136</u>	<u>31,165,897</u>	<u>(2,333,271)</u>	<u>49,962,762</u>
<i>Less: accumulated depreciation</i>				
Buildings and building improvements	(9,933,986)	(388,215)	1,597,611	(8,724,590)
Furniture, fixtures and equipment	(3,715,283)	(326,641)	666,418	(3,375,506)
Vehicles	<u>(552,505)</u>	<u>(14,076)</u>	<u>10,680</u>	<u>(555,901)</u>
Total accumulated depreciation	<u>(14,201,774)</u>	<u>(728,932)</u>	<u>2,274,709</u>	<u>(12,655,997)</u>
Governmental activities capital assets, net	<u>\$ 38,474,598</u>	<u>\$ 30,436,965</u>	<u>\$(30,809,061)</u>	<u>\$ 38,102,502</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Vocational	\$ 591,295
Adult/continuing	12,294
<u>Support services:</u>	
Pupil	8,025
Administration	15,498
Fiscal	11,793
Operations and maintenance	20,422
Operation of non-instructional services	66,423
Food service operations	<u>3,182</u>
Total depreciation expense	<u>\$ 728,932</u>

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

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

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into lease agreements to acquire copiers and copier equipment. Lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of equipment have been capitalized in the amount of \$73,364. Accumulated depreciation as of June 30, 2014 was \$29,346, leaving a current book value of \$44,018. Principal and interest payments of \$11,705 and \$2,319, respectively, were paid from the general fund and \$2,317 and \$459, respectively, were paid from the adult education fund (a nonmajor governmental fund).

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 16,801
2016	16,800
2017	16,800
2018	<u>1,400</u>
Total minimum lease payments	51,801
Less: amount representing interest	<u>(3,887)</u>
Total	<u>\$ 47,914</u>

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/14</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
2010 Certificates of participation	\$4,755,000	\$ -	\$ (355,000)	\$ 4,400,000	\$ 365,000
Capital lease	61,936	-	(14,022)	47,914	14,740
Compensated absences	<u>1,039,538</u>	<u>274,806</u>	<u>(206,807)</u>	<u>1,107,537</u>	<u>109,909</u>
Total long-term obligations, governmental activities	<u>\$5,856,474</u>	<u>\$ 274,806</u>	<u>\$ (575,829)</u>	<u>\$ 5,555,451</u>	<u>\$ 489,649</u>

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

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2014, were as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 365,000	\$ 82,241	\$ 447,241
2016	370,000	75,075	445,075
2017	375,000	67,811	442,811
2018	385,000	60,401	445,401
2019	390,000	52,845	442,845
2020 - 2024	2,075,000	145,618	2,220,618
2025	440,000	4,290	444,290
Total	<u>\$ 4,400,000</u>	<u>\$ 488,281</u>	<u>\$ 4,888,281</u>

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

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$260,287,927 and an unvoted debt margin of \$2,892,088.

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

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

NOTE 11 - 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 2014, the District contracted for the following insurance coverage:

Coverage provided by Governmental Underwriters of America, Inc.

Buildings and Contents - replacement costs (\$1,000 deductible)

Commercial Auto Coverage

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

General Liability

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

Educators' Legal Liability

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

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

The District participated in the Sheakley/Better Business Bureau of Central Ohio's Workers' Compensation Group Retrospective Rating Program (GRP). The intent of the GRP program is to achieve the benefit of a reduced net premium for the District by virtue of its grouping and representation with other participants in the program. The program differs from a group rating plan in that the District pays its initial premiums based on the individual rating of the District and then earns refunds distributed over a three-year period based on the performance of the entire group of participants. Employer membership in the group is limited to schools and libraries.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

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

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

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$181,144, \$193,060 and \$188,608, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

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

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

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

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

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$776,362, \$832,898 and \$862,954, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$26,659 made by the District and \$20,946 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$23,663, \$24,188 and \$29,774, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$10,509, \$10,906 and \$11,138, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$59,720, \$64,069 and \$66,381, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Health Care Benefits

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 597,086
Net adjustment for revenue accruals	18,015
Net adjustment for expenditure accruals	(56,905)
Net adjustment for other sources/uses	(43,967)
Funds budgeted elsewhere	4,069
Adjustment for encumbrances	633,398
GAAP basis	<u>\$ 1,151,696</u>

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

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

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

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

NOTE 17 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	157,495
Current year qualifying expenditures	<u>(157,495)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

In prior fiscal years, the District issued \$5,783,812 in capital related school improvement notes. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from note proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of note proceeds that may be used as an offset in future periods, which was \$5,783,812 at June 30, 2014.

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

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

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 455,502
Permanent improvement	430,292
Classroom facilities	36,099
Other governmental	<u>18,022</u>
 Total	 <u>\$ 939,915</u>

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2014, the District has commitments with the following companies for the construction project.

	<u>Contract Amount</u>	<u>Amount Paid as of June 30, 2014</u>	<u>Amount Remaining on Contract</u>
KF Construction	\$ 1,039,469	\$ 1,039,469	\$ -
VM Systems	1,835,667	1,835,667	-
Mosser Construction	2,002,120	2,002,120	-
Brint Electric	1,664,889	1,664,889	-
Marlin White	532,323	532,323	-
S.A. Comunale (Sentinel)	279,395	279,395	-
Cold Harbor	8,279,844	8,279,844	-
Warner Mechanical	4,466,658	4,466,658	-
Vaughn Industries	3,574,699	3,574,699	-
S.A. Comunale (Vanguard)	292,614	292,614	-
Midwest Environmental	158,016	158,016	-
Netech Corporation	742,104	742,104	-
Lake Erie Electric (Round Building)	41,230	41,230	-
The Spieker Co. (Round Building)	462,542	462,542	-
M&B Asphalt	177,460	175,000	2,460
CRT Technologies	468,191	468,191	-
Anese Masonry	15,000	15,000	-
Tom Sexton & Associates	258,060	258,060	-
School Specialty	16,597	16,597	-
Martin Public Seating	74,650	74,650	-
Vaughn Industries (Round Building)	187,324	187,324	-
All Aspects (Demo)	188,863	188,863	-
Clouse Electric (Button Up)	15,707	15,707	-
Warner Mechanical (Button Up)	87,092	84,792	2,300
KF Construction (Button Up)	283,670	268,881	14,789
 Total	 <u>\$ 27,144,184</u>	 <u>\$ 27,124,635</u>	 <u>\$ 19,549</u>

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

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

NOTE 19 - CONTRACTUAL COMMITMENTS – (Continued)

The District and the Ohio Facilities Construction Commission (OFCC) entered into a Master Facilities Plan that calls for the addition of approximately 69,000 square feet to the present Tech Center and the renovation of the present Tech Center and Sentinel Tech Center. The OFCC currently estimates the total budget for the project is \$30,536,509. To date the District has expended approximately \$29,983,751 for related costs.

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

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<i>Nutrition Cluster:</i>			
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555	\$ 7,246	\$ 7,246
Cash Assistance		66,033	66,033
Total National School Lunch Program		<u>73,279</u>	<u>73,279</u>
School Breakfast Program	10.553	<u>19,738</u>	<u>19,738</u>
Total United States Department of Agriculture - Nutrition Cluster		<u>93,017</u>	<u>93,017</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Direct Program:</i>			
Federal Pell Grant Program	84.063	128,418	128,418
<i>Passed Through Ohio Department of Education:</i>			
Adult Education State Grant Program	84.002	229,715	224,070
Career and Technical Education - Basic Grants to States	84.048	322,543	311,803
Improving Teacher Quality State Grants	84.367	<u>5,073</u>	<u>5,073</u>
Total United States Department of Education		<u>685,749</u>	<u>669,364</u>
Total Federal Assistance		<u>\$ 778,766</u>	<u>\$ 762,381</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipt and Expenditure Schedule (the Schedule) reports Vanguard-Sentinel Career and Technology Centers (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 19, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 19, 2015



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Vanguard-Sentinel Career and Technology Centers complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 19, 2015

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

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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VANGUARD SENTINEL CAREER AND TECHNOLOGY CENTERS

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 2, 2015**