



**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012



Dave Yost • Auditor of State

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Career Center's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor

December 13, 2012

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

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

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities increased \$3,131,082 which represents an 8.34% increase from fiscal year 2011.
- Governmental activities' general revenues accounted for \$14,955,476 in revenue or 84.34% of all revenue. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,777,869 or 15.66% of total revenues of \$17,733,345.
- The Career Center had \$14,602,263 in expenses related to governmental activities; only \$2,777,869 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,955,476 were adequate to provide for these programs.
- The Career Center's major governmental funds are the general fund and permanent improvement fund. The general fund had \$14,811,378 in revenues and other financing sources and \$12,601,722 in expenditures and other financing uses. The general fund's fund balance increased \$2,209,656 from \$18,520,916 to \$20,730,572.
- The permanent improvement fund had \$1,941,261 in revenues and other financing sources and \$1,230,801 in expenditures. The permanent improvement fund's fund balance increased \$710,460 from \$5,647,302 to \$6,357,762.

Using the Basic Financial Statements (BFS)

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

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

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

Reporting the Career Center as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

The Career Center's statement of net assets and statement of activities can be found on pages 14 and 15 of this report.

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Career Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the Career Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

Reporting the Career Center's Fiduciary Responsibilities

The Career Center is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The Career Center also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in four agency funds. All of the Career Center's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 21 and 22. These activities are excluded from the Career Center's other financial statements because the assets cannot be utilized by the Career Center to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-49 of this report.

The Career Center as a Whole

The statement of net assets provides the perspective of the Career Center as a whole. The table below provides a summary of the Career Center's net assets at June 30, 2012 and June 30, 2011.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 37,897,334	\$ 35,182,527
Capital assets, net	<u>14,240,210</u>	<u>13,844,004</u>
Total assets	<u>52,137,544</u>	<u>49,026,531</u>
<u>Liabilities</u>		
Current liabilities	10,009,582	10,133,814
Long-term liabilities	<u>1,460,118</u>	<u>1,355,955</u>
Total liabilities	<u>11,469,700</u>	<u>11,489,769</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	14,099,302	13,794,005
Restricted	5,455,080	5,203,064
Unrestricted	<u>21,113,462</u>	<u>18,539,693</u>
Total net assets	<u>\$ 40,667,844</u>	<u>\$ 37,536,762</u>

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

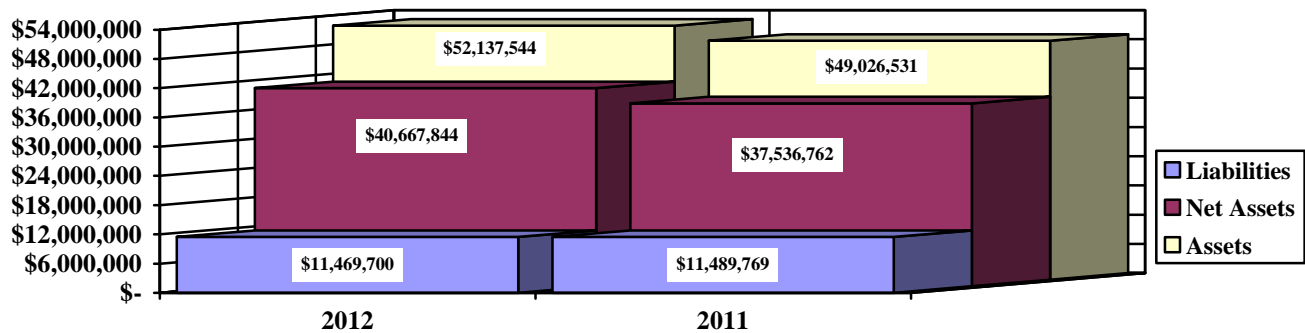
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

At fiscal year-end, capital assets represented 27.31% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$14,099,302. These capital assets are used to provide services to the students and are not available for future spending. Although the Career Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Career Center's net assets, \$5,455,080, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$21,113,462 may be used to meet the Career Center's ongoing obligations to the students and creditors.

The graph below illustrates the Career Center's assets, liabilities and net assets at June 30, 2012 and June 30, 2011.

Governmental Activities - Net Assets



The table below shows the changes in net assets for governmental activities for fiscal years 2012 and 2011.

Change in Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,924,238	\$ 2,363,664
Operating grants and contributions	853,631	1,520,331
General revenues:		
Property taxes	10,650,163	10,799,033
Grants and entitlements	4,055,738	4,384,297
Payment in lieu of taxes	10,135	8,009
Investment earnings	152,861	224,794
Other	86,579	40,955
Total revenues	<u>17,733,345</u>	<u>19,341,083</u>

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 1,043,132	\$ 1,135,407
Special	187,961	178,439
Vocational	5,549,480	6,312,644
Adult/continuing	1,302,578	907,618
Other	105,374	102,890
Support services:		
Pupil	737,635	753,117
Instructional staff	557,879	1,102,448
Board of education	90,759	100,687
Administration	1,409,618	1,407,352
Fiscal	739,463	722,901
Operations and maintenance	1,601,021	1,526,350
Pupil transportation	37,390	28,999
Central	995,037	1,062,571
Operation of non-instructional services:		
Other non-instructional services	19,175	14,263
Food service operations	201,975	195,363
Extracurricular activities	17,041	15,984
Interest and fiscal charges	6,745	-
Total expenses	<u>14,602,263</u>	<u>15,567,033</u>
Increase in net assets before special item	3,131,082	3,774,050
Special item - gain on sale of land	<u>-</u>	<u>779,641</u>
Changes in net assets	3,131,082	4,553,691
Net assets at beginning of year	<u>37,536,762</u>	<u>32,983,071</u>
Net assets at end of year	<u>\$ 40,667,844</u>	<u>\$ 37,536,762</u>

Governmental Activities

Net assets of the Career Center's governmental activities increased \$3,131,082. Total governmental expenses of \$14,602,263 were offset by program revenues of \$2,777,869 and general revenues of \$14,955,476. Program revenues supported 19.02% of the total governmental expenses.

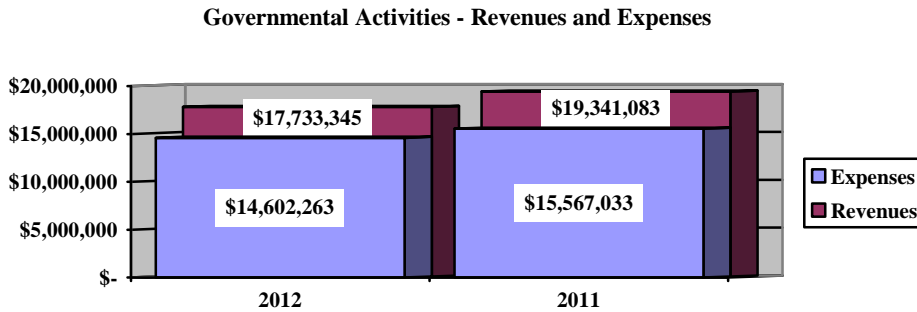
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 82.93% of total governmental revenue. Real estate property is reappraised every six years. Charges for services revenue decreased mainly due to a decline in open enrollment receipts during fiscal year 2012. Operating grants and contributions revenue decreased primarily due to the reporting of High School that Works grant activity, for which the Career Center serves as fiscal agent, as part of agency fund activities in fiscal year 2012 as opposed to governmental activities. This reporting change also explains the decrease in instructional staff expenses.

The largest expense of the Career Center is for instructional programs. Instruction expenses totaled \$8,188,525 or 56.08% of total governmental expenses for fiscal year 2012.

**DELAWARE AREA CAREER CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph below presents the Career Center's governmental activities revenue and expenses for fiscal years 2012 and 2011.



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

Governmental Activities

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses:				
Instruction:				
Regular	\$ 1,043,132	\$ 996,320	\$ 1,135,407	\$ 1,118,922
Special	187,961	187,961	178,439	178,439
Vocational	5,549,480	4,203,566	6,312,644	4,196,574
Adult/continuing	1,302,578	376,745	907,618	206,906
Other	105,374	105,374	102,890	101,546
Support services:				
Pupil	737,635	641,012	753,117	701,418
Instructional staff	557,879	407,272	1,102,448	364,754
Board of education	90,759	90,759	100,687	100,687
Administration	1,409,618	1,379,858	1,407,352	1,383,593
Fiscal	739,463	739,463	722,901	697,248
Operations and maintenance	1,601,021	1,586,309	1,526,350	1,508,172
Pupil transportation	37,390	37,390	28,999	28,999
Central	995,037	963,884	1,062,571	1,014,344
Operation of non-instructional services:				
Other non-instructional services	19,175	19,175	14,263	14,263
Food service operations	201,975	65,600	195,363	56,185
Extracurricular activities	17,041	16,961	15,984	10,988
Interest and fiscal charges	6,745	6,745	-	-
Total expenses	<u>\$ 14,602,263</u>	<u>\$ 11,824,394</u>	<u>\$ 15,567,033</u>	<u>\$ 11,683,038</u>

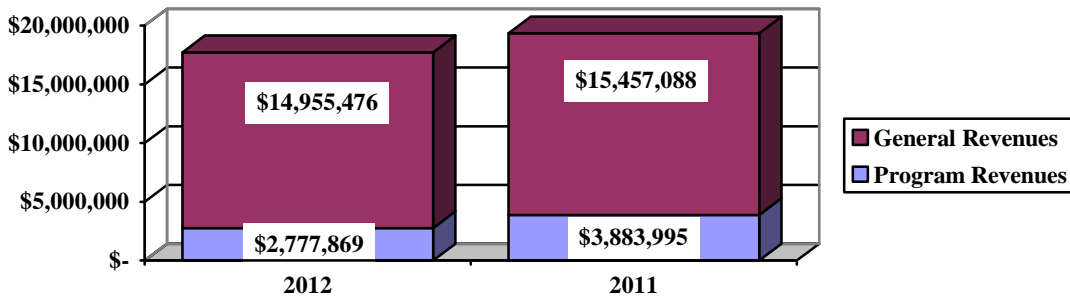
**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

The dependence upon tax revenues during fiscal year 2012 for governmental activities is apparent, as 71.69% of fiscal year 2012 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 80.98% in fiscal year 2012. The Career Center's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the Career Center's students.

The graph below presents the Career Center's governmental activities revenue for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The Career Center's Funds

The Career Center's governmental funds reported a combined fund balance of \$27,339,151, which is more than last year's total balance of \$24,429,082. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase/ (Decrease)
General	\$ 20,730,572	\$ 18,520,916	\$ 2,209,656
Permanent Improvement	6,357,762	5,647,302	710,460
Other Governmental	<u>250,817</u>	<u>260,864</u>	<u>(10,047)</u>
Total	<u>\$ 27,339,151</u>	<u>\$ 24,429,082</u>	<u>\$ 2,910,069</u>

General Fund

The Career Center's general fund balance increased \$2,209,656. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

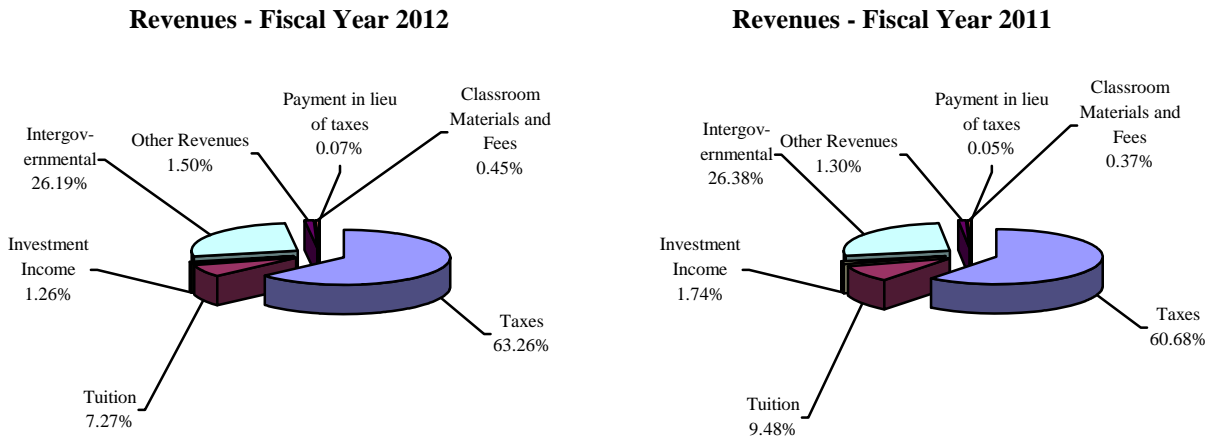
**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

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

	2012 <u>Amount</u>	2011 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 9,273,423	\$ 9,494,511	\$ (221,088)	(2.33) %
Tuition	1,065,638	1,482,946	(417,308)	(28.14) %
Earnings on investments	184,802	272,346	(87,544)	(32.14) %
Classroom materials and fees	66,015	57,410	8,605	14.99 %
Payment in lieu of taxes	10,135	8,009	2,126	26.55 %
Intergovernmental	3,839,584	4,126,927	(287,343)	(6.96) %
Other revenues	<u>220,055</u>	<u>203,410</u>	<u>16,645</u>	8.18 %
Total	<u>\$ 14,659,652</u>	<u>\$ 15,645,559</u>	<u>\$ (985,907)</u>	(6.30) %

Overall revenues of the general fund decreased \$985,907 or 6.30%. Tuition decreased \$417,308 or 28.14% mainly due to a decline in open enrollment receipts during fiscal year 2012. Earnings on investments decreased \$87,544 or 32.14% primarily due to falling interest rates on deposits and investments. Intergovernmental revenue decreased \$287,343 or 6.96% mostly because of a decrease in tangible personal property tax loss reimbursements.



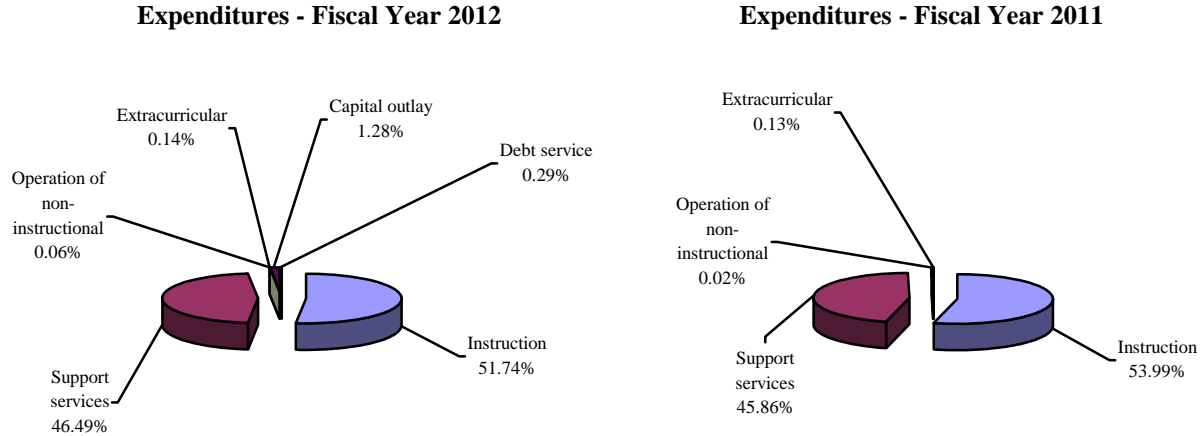
The table that follows assists in illustrating the expenditures of the general fund.

	2012 <u>Amount</u>	2011 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 6,126,871	\$ 6,606,038	\$ (479,167)	(7.25) %
Support services	5,506,863	5,610,919	(104,056)	(1.85) %
Operation of non-instructional services	7,662	2,747	4,915	178.92 %
Extracurricular activities	17,041	15,984	1,057	6.61 %
Capital outlay	151,726	-	151,726	100.00 %
Debt service	<u>34,229</u>	<u>-</u>	<u>34,229</u>	100.00 %
Total	<u>\$ 11,844,392</u>	<u>\$ 12,235,688</u>	<u>\$ (391,296)</u>	(3.20) %

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

Overall expenditures of the general fund decreased \$391,296 or 3.20%. Instruction and support services expenditures experienced decreases mainly due to the Career Center's conservative spending practices during difficult economic times. Capital outlay and debt service expenditures increased due to the Career Center entering into a capital lease obligation during fiscal year 2012 for which the general fund is responsible for principal and interest payments.



Permanent Improvement Fund

The permanent improvement fund had \$1,941,261 in revenues and other financing sources and \$1,230,801 in expenditures. The permanent improvement fund's fund balance increased \$710,460 from \$5,647,302 to \$6,357,762.

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources were \$14,698,518, which matched exactly to original budget estimates. Actual revenues and other financing sources were \$14,420,830; this was \$277,688 less than final budgeted revenues and other financing sources.

General fund original appropriations (expenditures and other financing uses) of \$13,089,029 matched exactly to final budget estimates. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled 12,797,752, which was \$291,277 less than the final budget.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

Capital Assets and Debt Administration

Capital Assets

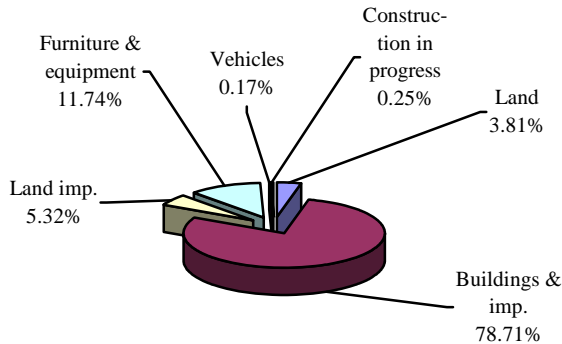
At the end of fiscal year 2012, the Career Center had \$14,240,210 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. The total amount was reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011:

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

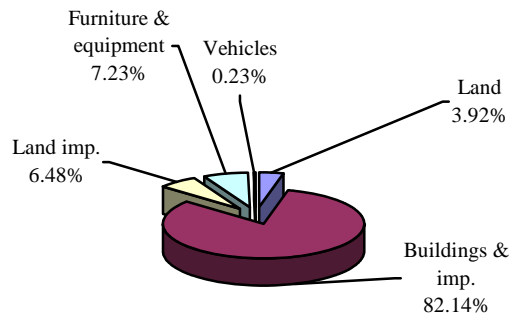
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 542,956	\$ 542,956
Land improvements	758,134	896,512
Building and improvements	11,208,042	11,371,746
Furniture and equipment	1,671,583	1,000,517
Vehicles	24,495	32,273
Construction-in-progress	<u>35,000</u>	<u>-</u>
Total	<u>\$ 14,240,210</u>	<u>\$ 13,844,004</u>

The following graphs show the breakdown of governmental activities capital assets by category for fiscal years 2012 and 2011.

Capital Assets - Governmental Activities 2012



Capital Assets - Governmental Activities 2011



The overall increase in capital assets of \$396,206 is due to capital asset additions of \$1,019,205 exceeding depreciation expense of \$618,719 and disposals of \$4,280 (net of accumulated depreciation). See Note 8 to the basic financial statements for additional information on the Career Center's capital assets.

**DELAWARE AREA CAREER CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Debt Administration

At June 30, 2012, the Career Center had \$140,908 in building assistance loans and capital lease obligations outstanding. Of this total, \$45,511 is due within one year and \$95,397 is due in more than one year. The following table summarizes the loans and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Business assistance loans	\$ 16,666	\$ 49,999
Capital lease obligations	<u>124,242</u>	<u>-</u>
Total	<u>\$ 140,908</u>	<u>\$ 49,999</u>

At June 30, 2012 the Career Center's overall legal debt margin was \$440,192,282 with an unvoted debt margin of \$4,890,840.

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

Current Financial Related Activity

Currently, the Career Center is financially stable. The Career Center agreed on a three year agreement with its union that includes 0% base salary increases and a cap on insurance premium increases.

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

Contacting the Career Center's Financial Management

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

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**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 26,464,744
Receivables:	
Taxes	11,020,988
Accounts	129,321
Intergovernmental	151,549
Accrued interest	27,516
Loans receivable	22,371
Prepayments	54,898
Materials and supplies inventory	25,947
Capital assets:	
Land and construction in progress	577,956
Depreciable capital assets, net.	13,662,254
Capital assets, net.	14,240,210
 Total assets.	 52,137,544
 Liabilities:	
Accounts payable.	111,141
Contracts payable.	38,543
Retainage payable	1,666
Accrued wages and benefits	728,185
Pension obligation payable.	111,405
Intergovernmental payable	45,132
Unearned revenue	8,973,510
Long-term liabilities:	
Due within one year.	237,450
Due in more than one year.	1,222,668
 Total liabilities	 11,469,700
 Net Assets:	
Invested in capital assets, net of related debt.	14,099,302
Restricted for:	
Capital projects	5,205,950
State funded programs.	7,130
Federally funded programs	6,011
Other purposes	235,989
Unrestricted.	21,113,462
 Total net assets	 \$ 40,667,844

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 1,043,132	\$ 3,618	\$ 43,194	\$ (996,320)
Special	187,961	-	-	(187,961)
Vocational	5,549,480	1,267,695	78,219	(4,203,566)
Adult/continuing.	1,302,578	559,848	365,985	(376,745)
Other	105,374	-	-	(105,374)
Support services:				
Pupil.	737,635	-	96,623	(641,012)
Instructional staff	557,879	815	149,792	(407,272)
Board of education	90,759	-	-	(90,759)
Administration.	1,409,618	64	29,696	(1,379,858)
Fiscal.	739,463	-	-	(739,463)
Operations and maintenance	1,601,021	14,712	-	(1,586,309)
Pupil transportation.	37,390	-	-	(37,390)
Central	995,037	-	31,153	(963,884)
Operation of non-instructional services:				
Other non-instructional services	19,175	-	-	(19,175)
Food service operations	201,975	77,406	58,969	(65,600)
Extracurricular activities.	17,041	80	-	(16,961)
Interest and fiscal charges	6,745	-	-	(6,745)
Total.	\$ 14,602,263	\$ 1,924,238	\$ 853,631	(11,824,394)

General Revenues:

Property taxes levied for:	
General purposes	9,337,189
Capital projects	1,312,974
Grants and entitlements not restricted	
to specific programs	4,055,738
Payment in lieu of taxes	10,135
Investment earnings	152,861
Miscellaneous	86,579
Total general revenues	14,955,476
Change in net assets	3,131,082
Net assets at beginning of year.	37,536,762
Net assets at end of year	\$ 40,667,844

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 19,983,196	\$ 6,197,430	\$ 284,118	\$ 26,464,744
Receivables:				
Taxes	9,663,018	1,357,970	-	11,020,988
Accounts	2,950	21,040	105,331	129,321
Intergovernmental	-	-	151,549	151,549
Accrued interest	27,516	-	-	27,516
Interfund loans	126,506	-	-	126,506
Loans receivable	22,371	-	-	22,371
Prepayments	47,571	-	7,327	54,898
Materials and supplies inventory	24,456	-	1,491	25,947
Total assets	<u>\$ 29,897,584</u>	<u>\$ 7,576,440</u>	<u>\$ 549,816</u>	<u>\$ 38,023,840</u>
Liabilities:				
Accounts payable	\$ 66,293	\$ 24,537	\$ 20,311	\$ 111,141
Contracts payable	-	38,543	-	38,543
Retainage payable	-	1,666	-	1,666
Compensated absences payable	53,547	-	35,775	89,322
Accrued wages and benefits	683,431	-	44,754	728,185
Pension obligation payable	99,408	-	11,997	111,405
Intergovernmental payable	39,883	-	5,249	45,132
Interfund loans payable	-	-	126,506	126,506
Deferred revenue	356,684	48,188	54,407	459,279
Unearned revenue	7,867,766	1,105,744	-	8,973,510
Total liabilities	<u>9,167,012</u>	<u>1,218,678</u>	<u>298,999</u>	<u>10,684,689</u>
Fund Balances:				
Nonspendable:				
Prepayments	47,571	-	7,327	54,898
Materials and supplies inventory	24,456	-	1,491	25,947
Restricted:				
Capital improvements	-	5,157,762	-	5,157,762
Adult education	-	-	208,722	208,722
Food service operations	-	-	6,319	6,319
Targeted academic assistance	-	-	246	246
Vocational education	-	-	6,569	6,569
Other purposes	-	-	4,098	4,098
Committed:				
Debt service	-	-	16,667	16,667
Capital improvements	-	1,200,000	-	1,200,000
Student instruction	717	-	-	717
Student and staff support	123	-	-	123
Assigned:				
Student instruction	43,226	-	-	43,226
Student and staff support	127,104	-	-	127,104
School supplies	53,629	-	-	53,629
Wellness activities	11,113	-	-	11,113
Other purposes	109,673	-	-	109,673
Unassigned (deficit)	20,312,960	-	(622)	20,312,338
Total fund balances	<u>20,730,572</u>	<u>6,357,762</u>	<u>250,817</u>	<u>27,339,151</u>
Total liabilities and fund balances	<u>\$ 29,897,584</u>	<u>\$ 7,576,440</u>	<u>\$ 549,816</u>	<u>\$ 38,023,840</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

Total governmental fund balances		\$	27,339,151
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			14,240,210
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	391,979	
Accounts receivable		33,801	
Accrued interest receivable		12,893	
Intergovernmental receivable		<u>20,606</u>	
Total			459,279
Long-term liabilities, including loans and capital lease obligations payable, are not due and payable in the current period and therefore are not reported in the funds.			
Building assistance loan payable		(16,666)	
Capital lease obligations payable		(124,242)	
Compensated absences payable		<u>(1,229,888)</u>	
Total			<u>(1,370,796)</u>
Net assets of governmental activities		<u>\$</u>	<u>40,667,844</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 9,273,423	\$ 1,304,067	\$ -	\$ 10,577,490
Tuition	1,065,638	-	323,834	1,389,472
Earnings on investments	184,802	-	-	184,802
Charges for services	-	-	77,406	77,406
Extracurricular	144	-	-	144
Classroom materials and fees	66,015	-	44,801	110,816
Rental income	14,712	-	-	14,712
Contributions and donations	685	-	112,837	113,522
Contract services	139,660	-	144,667	284,327
Other local revenues	64,854	21,040	47,941	133,835
Payment in lieu of taxes	10,135	-	-	10,135
Intergovernmental - state	3,820,299	216,154	210,360	4,246,813
Intergovernmental - federal	19,285	-	618,739	638,024
Total revenues	<u>14,659,652</u>	<u>1,541,261</u>	<u>1,580,585</u>	<u>17,781,498</u>
Expenditures:				
Current:				
Instruction:				
Regular	976,962	-	29,336	1,006,298
Special	187,961	-	-	187,961
Vocational	4,837,294	498,851	83,358	5,419,503
Adult/continuing	19,280	-	1,266,437	1,285,717
Other	105,374	-	-	105,374
Support services:				
Pupil	629,353	-	107,253	736,606
Instructional staff	380,158	-	160,087	540,245
Board of education	88,990	-	-	88,990
Administration	1,344,373	-	27,203	1,371,576
Fiscal	715,705	24,961	-	740,666
Operations and maintenance	1,379,559	-	-	1,379,559
Pupil transportation	37,390	-	-	37,390
Central	931,335	-	48,127	979,462
Operation of non-instructional services:				
Other non-instructional services	7,662	-	-	7,662
Food service operations	-	-	192,828	192,828
Extracurricular activities	17,041	-	-	17,041
Facilities acquisition and construction	-	706,989	-	706,989
Capital outlay	151,726	-	-	151,726
Debt service:				
Principal retirement	27,484	-	33,333	60,817
Interest and fiscal charges	6,745	-	-	6,745
Total expenditures	<u>11,844,392</u>	<u>1,230,801</u>	<u>1,947,962</u>	<u>15,023,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,815,260</u>	<u>310,460</u>	<u>(367,377)</u>	<u>2,758,343</u>
Other financing sources (uses):				
Transfers in	-	400,000	357,330	757,330
Transfers (out)	(757,330)	-	-	(757,330)
Capital lease transaction	151,726	-	-	151,726
Total other financing sources (uses)	<u>(605,604)</u>	<u>400,000</u>	<u>357,330</u>	<u>151,726</u>
Net change in fund balances	2,209,656	710,460	(10,047)	2,910,069
Fund balances at beginning of year	18,520,916	5,647,302	260,864	24,429,082
Fund balances at end of year	\$ 20,730,572	\$ 6,357,762	\$ 250,817	\$ 27,339,151

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

Net change in fund balances - total governmental funds \$ 2,910,069

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

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

Capital asset additions	\$ 1,019,205	
Current year depreciation	(618,719)	
Total		400,486

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (4,280)

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

Taxes	72,673	
Tuition	(580)	
Earnings on investments	(31,941)	
Contributions and donations	(32,769)	
Intergovernmental revenue	(55,536)	
Total		(48,153)

Capital lease transactions are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (151,726)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets. 60,817

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of financial resources and therefore are not reported as expenditures in governmental funds. (36,131)

Change in net assets of governmental activities \$ 3,131,082

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 9,233,915	\$ 9,233,915	\$ 9,134,685	\$ (99,230)
Tuition	1,204,089	1,204,089	1,065,638	(138,451)
Earnings on investments	380,913	380,913	195,146	(185,767)
Classroom materials and fees	1,000	1,000	1,085	85
Rental income	18,320	18,320	13,618	(4,702)
Other local revenues	30,000	30,000	37,966	7,966
Payment in lieu of taxes	8,009	8,009	10,135	2,126
Intergovernmental - state	3,662,272	3,662,272	3,820,299	158,027
Total revenues	<u>14,538,518</u>	<u>14,538,518</u>	<u>14,278,572</u>	<u>(259,946)</u>
Expenditures:				
Current:				
Instruction:				
Regular	987,500	987,500	986,151	1,349
Special	187,040	187,040	186,978	62
Vocational	4,769,580	4,769,580	4,753,298	16,282
Other	105,035	105,035	105,021	14
Support services:				
Pupil	639,928	639,928	633,104	6,824
Instructional staff	384,586	384,586	384,181	405
Board of education	141,517	141,517	141,396	121
Administration	1,385,221	1,385,221	1,383,899	1,322
Fiscal	733,804	733,804	731,163	2,641
Operations and maintenance	1,454,008	1,454,008	1,435,032	18,976
Pupil transportation	42,275	42,275	41,812	463
Central	1,008,013	1,008,013	993,284	14,729
Operation of non-instructional services:				
Other non-instructional services	7,662	7,662	7,662	-
Extracurricular activities	15,930	15,930	15,926	4
Total expenditures	<u>11,862,099</u>	<u>11,862,099</u>	<u>11,798,907</u>	<u>63,192</u>
Excess of revenues over expenditures	<u>2,676,419</u>	<u>2,676,419</u>	<u>2,479,665</u>	<u>(196,754)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	5,000	5,000	8,840	3,840
Transfers (out)	(763,385)	(763,385)	(762,911)	474
Advances in	150,000	150,000	123,734	(26,266)
Advances (out)	(463,545)	(463,545)	(235,934)	227,611
Sale of capital assets	5,000	5,000	9,684	4,684
Total other financing sources (uses)	<u>(1,066,930)</u>	<u>(1,066,930)</u>	<u>(856,587)</u>	<u>210,343</u>
Net change in fund balance	1,609,489	1,609,489	1,623,078	13,589
Fund balance at beginning of year	17,578,651	17,578,651	17,578,651	-
Prior year encumbrances appropriated	343,443	343,443	343,443	-
Fund balance at end of year	<u>\$ 19,531,583</u>	<u>\$ 19,531,583</u>	<u>\$ 19,545,172</u>	<u>\$ 13,589</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 10,892	\$ 120,810
Receivables:		
Intergovernmental.	-	22,371
Total assets.	10,892	\$ 143,181
Liabilities:		
Accounts payable.	-	\$ 1,120
Pension obligation payable.	-	1,166
Loans payable.	-	22,371
Undistributed monies	-	6,294
Due to students.	-	112,230
Total liabilities	-	\$ 143,181
Net assets:		
Held in trust for scholarships	10,892	
Total net assets	\$ 10,892	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	
Additions:		
Gifts and contributions	\$	3,010
Deductions:		
Scholarships awarded		<u>500</u>
Change in net assets.		2,510
Net assets at beginning of year		<u>8,382</u>
Net assets at end of year.	<u>\$</u>	<u>10,892</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

NOTE 1 - DESCRIPTION OF THE CAREER CENTER

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

The Career Center was established in 1972. The Career Center serves Delaware and the surrounding counties. It is staffed by 39 classified employees, 63 certified teaching personnel and 13 administrative employees who provide services to 889 students and other community members. The Career Center currently operates two instructional/administration buildings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association (TRECA)

The Career Center is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of TRECA consists of one representative from each county, elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2012, the Career Center paid \$43,768 to TRECA for various services. Financial information can be obtained from Mike Carder, Director, at 100 Executive Drive, Marion, Ohio 43302.

Metropolitan Education Council (MEC)

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

Central Ohio Regional Professional Development Center

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

Work Force Preparation Regional Council of Governments (JOG)

The Work Force Preparation Regional Council of Governments is a jointly governed organization formed to apply for, administer, and deliver services in member districts pursuant to the Jobs for Ohio's Graduates (JOG) program and related, or similar, state and federal programs. The Council consists of fifteen members, three of which are representatives of the Career Center. The Career Center formerly acted as the fiscal agent for the JOG program, processing all receipts and expenditures of the Council, which is supported by financial and in-kind contributions from its members, and from other revenue sources; including financial support received from the Career Center. Effective December 2010, the Career Center is no longer the fiscal agent for the JOG program.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

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

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

Ohio School Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

Other governmental funds of the Career Center are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (b) financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

**DELAWARE AREA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also 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 Career Center, available means expected to be received within sixty days of fiscal year end.

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

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

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

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

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

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

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

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

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

E. Budgets

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

The specific timetable for fiscal year 2012 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Delaware County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the Career Center must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the Career Center Treasurer.

The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the Career Center Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2012.

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

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2012.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

F. Cash and Investments

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

During fiscal year 2012, investments were limited to U.S. Government money markets, federal agency securities, negotiable certificates of deposit and non-negotiable certificates of deposit.

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.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$184,802 which includes \$45,930 assigned from other Career Center funds.

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

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

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

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

G. Inventory

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

Inventories consist of donated food, purchased food and non-food supplies held for resale and are expensed when used.

H. Capital Assets

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

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

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

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee’s retirement/resignation has been incurred by fiscal year end. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

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

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

L. Fund Balance

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

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

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

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

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

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

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

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

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

M. Net Assets

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

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

N. 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.

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Career Center did not report restricted assets at June 30, 2012.

Q. Interfund Activity

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

R. Extraordinary and Special Items

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Adult high school	\$ 128
Miscellaneous federal grants	494

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

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Career Center into three categories.

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

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.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the Career Center had \$422 in undeposited cash on hand which is included on the financial statements of the Career Center as part of “equity in pooled cash and investments”.

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all Career Center deposits was \$15,405,909. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$13,693,851 of the Career Center’s bank balance of \$15,704,721 was exposed to custodial credit risk as discussed below, while \$2,010,870 was covered by the FDIC.

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

C. Investments

As of June 30, 2012, the Career Center had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
Negotiable CD's	\$ 6,321,446	\$ 1,697,786	\$ 2,624,490	\$ 1,152,109	\$ -	\$ 847,061
FNMA	1,003,720	-	-	-	-	1,003,720
FHLB	999,040	-	-	-	-	999,040
U.S. Government money market	2,865,909	2,865,909	-	-	-	-
Total	<u>\$ 11,190,115</u>	<u>\$ 4,563,695</u>	<u>\$ 2,624,490</u>	<u>\$ 1,152,109</u>	<u>\$ -</u>	<u>\$ 2,849,821</u>

The weighted average maturity of investments is 1.44 years.

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

Credit Risk: The Career Center’s investments in federal agency securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The U.S. Government money market was rated AAAM by Standard & Poor’s. The negotiable certificates of deposit are not rated. The Career Center’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 6,321,446	56.49
FNMA	1,003,720	8.97
FHLB	999,040	8.93
U.S. Government money market	<u>2,865,909</u>	<u>25.61</u>
Total	<u>\$ 11,190,115</u>	<u>100.00</u>

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 15,405,909
Investments	11,190,115
Cash on hand	<u>422</u>
Total	<u>\$ 26,596,446</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 26,464,744
Private-purpose trust	10,892
Agency funds	<u>120,810</u>
Total	<u>\$ 26,596,446</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2012, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 126,506</u>

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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.

Interfund loans between governmental funds are eliminated on the government-wide statements.

- B.** Loans between governmental funds and agency funds are reported as “loans receivable/payable” on the financial statements. The Career Center had the following loan outstanding at fiscal year-end:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Agency fund	\$ 22,371

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

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

	<u>Amount</u>
Transfers from general fund to:	
Permanent improvement fund	\$ 400,000
Nonmajor governmental funds	<u>357,330</u>
Total	<u>\$ 757,330</u>

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

All transfers made in fiscal year 2012 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5704.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**DELAWARE AREA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The Career Center receives property taxes from Delaware, Franklin, Morrow, Union and Marion Counties. The County Auditors periodically advance to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$1,451,461 in the general fund and \$204,038 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$1,312,723 in the general fund and \$184,353 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 4,951,696,270	97.44	\$4,753,981,330	97.20
Public utility personal	<u>129,846,200</u>	<u>2.56</u>	<u>136,858,840</u>	<u>2.80</u>
Total	<u>\$ 5,081,542,470</u>	<u>100.00</u>	<u>\$4,890,840,170</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$3.20		\$3.20

**DELAWARE AREA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - RECEIVABLES

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

Governmental activities:

Taxes	\$ 11,020,988
Accounts	129,321
Intergovernmental	151,549
Accrued interest	<u>27,516</u>
Total	<u>\$ 11,329,374</u>

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

NOTE 8 - CAPITAL ASSETS

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

	Balance <u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/12</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 542,956	\$ -	\$ -	\$ 542,956
Construction in progress	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Total capital assets, not being depreciated	<u>542,956</u>	<u>35,000</u>	<u>-</u>	<u>577,956</u>
Capital assets, being depreciated:				
Land improvements	1,404,832	31,937	-	1,436,769
Building/improvements	14,196,428	47,593	-	14,244,021
Furniture/equipment	3,143,339	904,675	(17,389)	4,030,625
Vehicles	<u>288,928</u>	<u>-</u>	<u>-</u>	<u>288,928</u>
Total capital assets, being depreciated	<u>19,033,527</u>	<u>984,205</u>	<u>(17,389)</u>	<u>20,000,343</u>
Less: accumulated depreciation:				
Land improvements	(508,320)	(170,315)	-	(678,635)
Building/improvements	(2,824,682)	(211,297)	-	(3,035,979)
Furniture/equipment	(2,142,822)	(229,329)	13,109	(2,359,042)
Vehicles	<u>(256,655)</u>	<u>(7,778)</u>	<u>-</u>	<u>(264,433)</u>
Total accumulated depreciation	<u>(5,732,479)</u>	<u>(618,719)</u>	<u>13,109</u>	<u>(6,338,089)</u>
Governmental activities capital assets, net	<u>\$ 13,844,004</u>	<u>\$ 400,486</u>	<u>\$ (4,280)</u>	<u>\$ 14,240,210</u>

**DELAWARE AREA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 29,990
Vocational	324,020
Adult/continuing education	5,588
Support services:	
Pupil	4,209
Instructional staff	6,864
Board of education	1,769
Administration	14,661
Fiscal	340
Operations and maintenance	204,371
Central	6,287
Non-instructional	11,513
Food service operations	<u>9,107</u>
Total depreciation expense	<u>\$ 618,719</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2012, the Career Center entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copier equipment have been capitalized in the amount of \$151,726. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 for this equipment was \$15,173, leaving a current book value of \$136,553. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2012 totaled \$27,484 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 34,229
2014	34,229
2015	34,229
2016	<u>34,230</u>
Total minimum lease payments	136,917
Less amount representing interest	<u>(12,675)</u>
Total	<u>\$ 124,242</u>

**DELAWARE AREA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Balance 06/30/11	Additions	Reductions	Balance 06/30/12	Amounts Due in One Year
Governmental activities:					
Compensated absences	\$ 1,305,956	\$ 207,275	\$ (194,021)	\$ 1,319,210	\$ 191,939
Building assistance loan	49,999	-	(33,333)	16,666	16,666
Capital lease obligations	-	151,726	(27,484)	124,242	28,845
Total governmental activities long-term liabilities	\$ 1,355,955	\$ 359,001	\$ (254,838)	\$ 1,460,118	\$ 237,450

FY 1997 Business Assistance Loan - On May 19, 1997, the Career Center obtained an interest free loan, in the amount of \$500,000, for remodeling school facilities. The loan was obtained under the authority of Ohio Revised Section 3317.22, for a sixteen year period, with final maturity during fiscal year 2013. The loan is being retired through the bond retirement fund (a nonmajor governmental fund).

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

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

B. Principal and interest requirements to retire the building assistance loan outstanding at June 30, 2012 are as follows:

	Building Assistance Loan		
Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 16,666	\$ -	\$ 16,666

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the Career Center shall never exceed 9% of the total assessed valuation of the Career Center. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Career Center. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the Career Center. The assessed valuation used in determining the Career Center's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the Career Center's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$440,192,282 (including available funds of \$16,667) and an unvoted debt margin of \$4,890,840.

**DELAWARE AREA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

For fiscal year 2012, the Career Center participated in the Ohio School Plan (Plan), an insurance purchasing pool (Note 2.A.). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

Coverage provided by Ohio School Plan is as follows:

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

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

B. Workers' Compensation Plan

The Career Center participates in the Ohio School Board Association's Workers' Compensation Group Rating Plan (the "GRP"), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

C. Health Care Benefits

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

**DELAWARE AREA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14 percent of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Career Center's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$294,698, \$289,746 and \$365,607, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

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

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

NOTE 12 - PENSION PLANS - (Continued)

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

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

The Career Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$748,418, \$776,918 and \$762,679, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$24,235 made by the Career Center and \$17,311 made by the plan members.

C. Social Security System

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Career Center participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

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

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

The Career Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$38,829, \$73,399 and \$50,079, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Career Center's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$17,403, \$18,646 and \$21,742, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Career Center's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$57,571, \$59,763 and \$58,668, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**DELAWARE AREA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,623,078
Net adjustment for revenue accruals	139,572
Net adjustment for expenditure accruals	(76,489)
Net adjustment for other sources/uses	250,983
Funds budgeted elsewhere	42,788
Adjustment for encumbrances	229,724
GAAP basis	<u>\$ 2,209,656</u>

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

**DELAWARE AREA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - CONTINGENCIES

A. Grants and ADM

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

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

B. Litigation

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

NOTE 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	92,284
Current year qualifying expenditures	(57,212)
Current year offsets	<u>(1,900,536)</u>
Total	<u>\$ (1,865,464)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

**DELAWARE AREA CAREER CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 202,822
Permanent improvement	644,201
Nonmajor governmental funds	<u>70,785</u>
 Total	 <u><u>\$ 917,808</u></u>

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**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 5,600	\$ 5,600
Cash Assistance			
School Breakfast Program	10.553	8,928	8,928
National School Lunch Program	10.555	42,958	42,958
		<u>57,486</u>	<u>57,486</u>
Total U.S. Department of Agriculture		<u>57,486</u>	<u>57,486</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Adult Education - Basic Grants to States	84.002	119,347	130,285
Career and Technical Education - Basic Grants to States	84.048	307,210	356,678
Federal Pell Grant Program	84.063	19,285	19,280
Rural Education	84.358	36,149	25,851
Improving Teacher Quality State Grants	84.367	3,846	3,119
		<u>485,837</u>	<u>535,213</u>
Total U.S. Department of Education		<u>485,837</u>	<u>535,213</u>
Total		<u><u>\$ 543,323</u></u>	<u><u>\$ 592,699</u></u>

The accompanying notes are an integral part of this schedule.

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware Area Career Center, Delaware County, Ohio (the Career Center) as of and for the year ended June 30, 2012, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Career Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Career Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Career Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Career Center's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

www.auditor.state.oh.us

We did note certain matters not requiring inclusion in this report that we reported to the Career Center's management in a separate letter dated December 13, 2012.

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

A handwritten signature in black ink that reads "Robert R. Hinkle". The signature is written in a cursive style with a large initial 'R'.

Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor

December 13, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Delaware Area Career Center (the Career Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Career Center's major federal program for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the Career Center's major federal program. The Career Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Career Center's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Career Center's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Career Center's compliance with these requirements.

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

Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Career Center's management in a separate letter dated December 13, 2012.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor

December 13, 2012

**DELAWARE AREA CAREER CENTER
DELAWARE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Career and Technical Education Basic Grants to State—CFDA # 84.048
<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?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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DELAWARE AREA CAREER CENTER

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2013**