



Dave Yost • Auditor of State

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Auburn Vocational School District
Lake County
8140 Auburn Road
Painesville, Ohio 44077

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Auburn Vocational School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Auburn Vocational School District, Lake County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Adult Educational funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 5, 2014

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**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The management discussion and analysis of Auburn Vocational School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this management discussion and analysis is to look at the District's financial performance as a whole. Readers should review the basic financial statements and notes to those respective statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

In total, net position decreased by \$825,545.

Revenues for governmental activities totaled \$10,612,170 in 2013. Of this total, 78.25 percent consisted of general revenues while program revenues accounted for the remaining balance of 21.75 percent.

Program expenses totaled \$11,437,715. Instructional expenses made up 50.2 percent of this total while support services accounted for 45.8 percent. Other expenses rounded out the remaining 4 percent.

Using the Basic Financial Statements

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate and long-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund, the adult education special revenue fund and the construction capital projects fund are the most significant.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question, "How did we do financially during 2013?" *The Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all non-fiduciary assets, liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies.

Accrual accounting takes into account all the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's performance, demographic and socioeconomic factors and willingness of the community to support the District. On the other hand, financial factors may include the District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the *Statement of Net Position* and the *Statement of Activities*, the District is classified into governmental activities. All of the District's programs and services are reported here including instruction, support services and operation of non-instructional services.

Reporting the District's Most Significant Funds

Fund Financial Statements – The analysis of the District's major fund begins on page 16. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general, adult education and construction funds.

Governmental Funds – Most of the District's activities are reported as governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are 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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

The District as a Whole

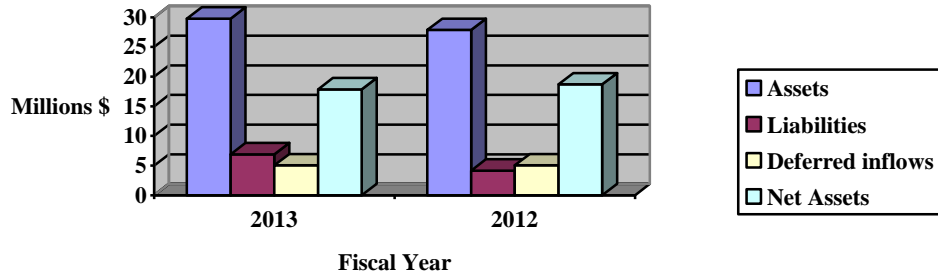
The Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2013 compared to 2012:

**Table 1
Net Position
Governmental Activities**

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>
Assets			
Current and other assets	\$ 12,904,240	\$ 13,219,293	\$ (315,053)
Capital assets, net	<u>16,900,812</u>	<u>14,657,751</u>	<u>2,243,061</u>
Total assets	<u>29,805,052</u>	<u>27,877,044</u>	<u>1,928,008</u>
Liabilities			
Current liabilities	919,155	766,983	152,172
Long term liabilities			
Due within one year	421,987	244,897	177,090
Due in more than one year	<u>5,571,765</u>	<u>3,134,376</u>	<u>2,437,389</u>
Total liabilities	<u>6,912,907</u>	<u>4,146,256</u>	<u>2,766,651</u>
Deferred inflows of resources			
Property taxes	<u>5,028,389</u>	<u>5,041,487</u>	<u>(13,098)</u>
Net Position			
Net investment in capital assets	12,176,747	12,012,751	163,996
Restricted for:			
Other purposes	137,160	15,184	121,976
Unrestricted	<u>5,549,849</u>	<u>6,661,366</u>	<u>(1,111,517)</u>
Total net position	<u>\$ 17,863,756</u>	<u>\$ 18,689,301</u>	<u>\$ (825,545)</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Net Position Governmental Activities



Governmental Activities

Total assets increased by \$1,928,008. The increase is the result of an increase in capital assets for several completed projects during the year. Total liabilities increased by \$2,766,651 mainly due to the issuance of general obligations bonds during the fiscal year.

The vast majority of revenue supporting all governmental activities is general revenues. General revenue totaled \$8,304,394 or 78.25 percent of the total revenue. Two significant portions of the general revenue are local property taxes and grants and entitlements, this constitutes 77.7 percent of total revenue. The remaining amount of revenue was in the form of program revenues that equated to \$2,307,776 or 21.75 percent of total revenue.

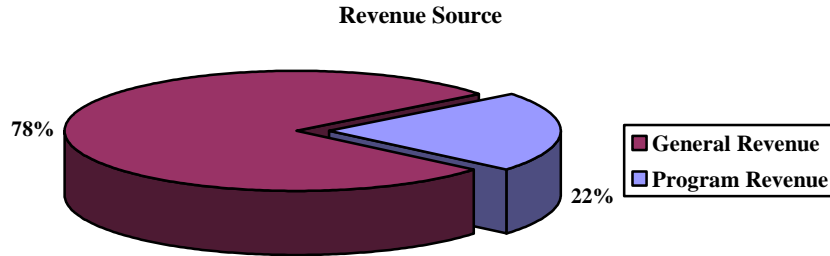
Table 2 summarizes the revenue, expenses and the changes in net position for fiscal year 2013 with comparative totals for fiscal year 2012.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

**Table 2
Governmental Activities**

	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,529,541	\$ 1,030,067
Operating grants, and contributions	778,235	803,705
Capital grants	-	90,000
Total program revenues	<u>2,307,776</u>	<u>1,923,772</u>
General revenue:		
Property taxes	5,612,740	6,406,418
Grants and entitlements	2,635,132	3,022,874
Investment earnings	11,915	18,553
Miscellaneous	44,607	44,789
Total general revenues	<u>8,304,394</u>	<u>9,492,634</u>
Total program and general revenues	<u>10,612,170</u>	<u>11,416,406</u>
Program expenses		
Instruction:		
Special	646,066	550,676
Vocational	3,829,554	4,240,918
Adult continuing	1,267,216	871,347
Support services:		
Pupil	1,069,217	1,060,267
Instructional staff	189,562	269,366
Board of education	252,071	151,720
Administration	1,283,195	1,523,239
Fiscal	469,319	468,331
Business	78	525
Operation and maintenance of plant	1,528,325	1,476,357
Pupil transportation	16,137	12,913
Central	428,223	490,893
Operation of non-instructional services	308,453	250,681
Extracurricular activities	1,798	498
Interest and fiscal charges	148,501	95,279
Total program expenses	<u>11,437,715</u>	<u>11,463,010</u>
Decrease in net position	<u>\$ (825,545)</u>	<u>\$ (46,604)</u>

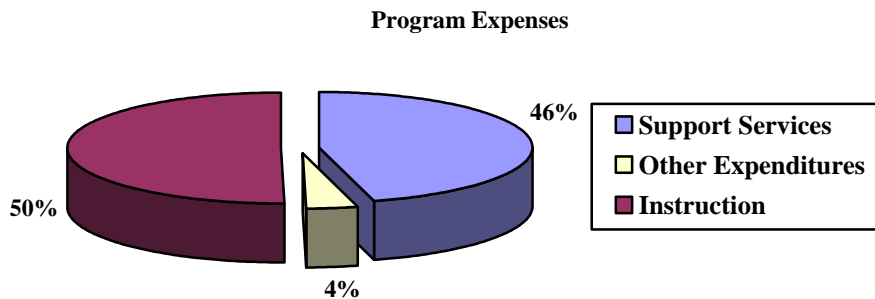
**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**



GOVERNMENTAL ACTIVITIES

The District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In October of 2013, the District submitted its yearly five-year forecast to the Ohio Department of Education. Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Approximately 50.2 percent of the District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 45.8 percent. The remaining program expenses of 4 percent are budgeted to facilitate other obligations of the District, such as the food service program, numerous extracurricular activities and uniform school supplies.



The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

**Table 3
Governmental Activities**

	Total Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2013</u>	Net Cost of Services <u>2012</u>
Instruction:				
Special	\$ 646,066	\$ 550,676	\$ (646,066)	\$ (550,676)
Vocaional	3,829,554	4,240,918	(3,467,946)	(4,058,191)
Adult continuing	1,267,216	871,347	(91,953)	45,643
Support services:				
Pupil	1,069,217	1,060,267	(709,375)	(596,303)
Instructional staff	189,562	269,366	(123,786)	(179,366)
Board of education	252,071	151,720	(252,071)	(151,720)
Administration	1,283,195	1,523,239	(1,175,049)	(1,523,239)
Fiscal	469,319	468,331	(469,319)	(468,331)
Business	78	525	(78)	(525)
Operations and maintenance of plant	1,528,325	1,476,357	(1,403,454)	(1,360,691)
Pupil transportation	16,137	12,913	(13,988)	(12,913)
Central	428,223	490,893	(427,723)	(450,359)
Operation of non-instructional	308,453	250,681	(198,832)	(137,290)
Extracurricular	1,798	498	(1,798)	2
Interest and fiscal charges	148,501	95,279	(148,501)	(95,279)
Total program expenses	<u>\$ 11,437,715</u>	<u>\$ 11,463,010</u>	<u>\$ (9,129,939)</u>	<u>\$ (9,539,238)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Local property taxes directly support 49.07 percent of expenses. Grants and entitlements not restricted to specific programs support 23.04 percent, while investments and other miscellaneous type revenues support the remaining activity costs. Program revenues fund only 20.18 percent of all governmental expenses.

District funds

Information regarding the District's major funds can be found on pages 16-19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,755,346 and expenditures of \$13,867,003. The net change in fund balances for the year was as follows: general fund (\$608,650), adult education (\$286,308), construction \$624,227 and other governmental funds \$59,074.

General fund budgeting highlights

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

During the course of the fiscal year 2013, the District amended the general fund's budgeted expenditures for an insignificant amount. Fluctuations among the budget base expenditure categories are due to the District's site-based style of budgeting that is designed to tightly control expenses but provide flexibility for managers to redirect funds as conditions develop during the year.

For the general fund, the final budget basis revenue and other financing sources estimate was \$9,505,724, which was only slightly higher than the original budget estimate of \$9,505,500. The actual revenues and other sources received were \$9,195,360, which was \$310,140 less than originally anticipated.

Actual expenditures for the year were \$10,021,630 or 2.5 percent under general fund budget projections. The decrease was due to lower than anticipated expenditures and management controls to reduce the expenditures.

Capital Assets

All capital assets, except land and construction in progress, are reported net of depreciation. At the end of fiscal 2013, the District had \$16,900,812 invested in land, construction in progress, land improvements, building and improvements, furniture and equipment and vehicles. Table 4 shows fiscal 2013 values compared to 2012.

**Table 4
Capital Assets**

	<u>2013</u>	<u>2012</u>
Governmental Activities		
Land and construction in progress	\$ 2,173,152	\$ 2,089,087
Land improvements	418,245	452,113
Building and improvements	13,207,962	11,072,779
Furniture and equipment	1,045,149	973,275
Vehicles	<u>56,304</u>	<u>70,497</u>
Total capital assets	<u>\$ 16,900,812</u>	<u>\$ 14,657,751</u>

For the fiscal year 2013, the District finished a roofing project, a classroom expansion and acquired several other pieces of equipment. See notes to the basic financial statements for detail on the District's capital assets.

Debt

At June 30, 2013, the District had \$5,240,000 in bonds outstanding with \$325,000 due within one year. Table 5 summarizes the bonds outstanding:

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

**Table 5
Outstanding Debt, at Fiscal Year End
Governmental Activities**

	<u>2013</u>	<u>2012</u>
School improvement bonds	\$ 5,240,000	\$ 2,645,000

During the fiscal year, the District issued \$2,900,000 in bonds, the proceeds of which were used to finance the constructing, renovating, rehabilitating, equipping and remodeling of school facilities to conserve energy and to construct a new school facility. See notes to the basic financial statements for detail on the District's debt.

District Outlook

The District has a strong financial position. The Board of Education and the administration closely monitor the District's revenues and expenditures in accordance with its financial forecast and the District's Continuous Improvement Plan.

The District's financial future is not without challenges, though. The nature of school funding in Ohio severely restricts the growth in the District's operating revenues and requires the District to periodically seek additional funds from the taxpayers to offset rising operating costs.

In addition, the problem of limited growth in revenue, school districts are faced with the challenge of losing traditional sources of tax revenue through the Ohio General Assembly legislative actions.

Financial aid from the State of Ohio through the State Foundation Program has not been as a major source of operating revenue for the District. Because the District is considered a wealthy district in terms of property values, it receives a relatively small amount of revenue from the State to fund operating expenses.

As a result of the challenges mentioned above, the District's administration and the District Finance Committee continue to carefully plan its expenditures to provide adequate resources to meet student needs over the next several years. The administration and the District's Task Force is currently reviewing all programs and services provided to students with the goal of reducing operating costs.

Contacting the District's Financial Management

This report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Carolyn Bennett, Treasurer, at Auburn Vocational School District, 8140 Auburn Road, Concord Township, Ohio 44077.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 6,775,982
Receivables:	
Taxes	5,869,331
Accounts	18,209
Intergovernmental	19,272
Accrued interest	4,297
Prepaid items	24,831
Inventory held for resale	72,261
Materials and supplies inventory	6,469
Property held for resale	113,588
Capital assets:	
Land and construction in progress	2,173,152
Depreciable capital assets, net	14,727,660
Total capital assets	16,900,812
Total assets	29,805,052
 <u>Liabilities:</u>	
Accounts payable	84,919
Contracts payable	233,319
Accrued wages	468,329
Intergovernmental payable	119,661
Accrued interest payable	12,927
Long-term liabilities:	
Due within one year	421,987
Due in more than one year	5,571,765
Total liabilities	6,912,907
 <u>Deferred inflows of resources:</u>	
Property taxes	5,028,389
 <u>Net position:</u>	
Net investment in capital assets	12,176,747
Restricted for:	
Capital projects	108,292
Other purposes	28,868
Unrestricted	5,549,849
Total net position	\$ 17,863,756

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Special	\$ 646,066	\$ -	\$ -	\$ (646,066)
Vocational	3,829,554	27,016	334,592	(3,467,946)
Adult/continuing	1,267,216	1,156,978	18,285	(91,953)
Support services:				
Pupils	1,069,217	58,440	301,402	(709,375)
Instructional staff	189,562	-	65,776	(123,786)
Board of education	252,071	-	-	(252,071)
Administration	1,283,195	108,146	-	(1,175,049)
Fiscal	469,319	-	-	(469,319)
Business	78	-	-	(78)
Operation and maintenance of plant	1,528,325	103,915	20,956	(1,403,454)
Pupil transportation	16,137	-	2,149	(13,988)
Central	428,223	500	-	(427,723)
Operation of non-instructional services	308,453	74,546	35,075	(198,832)
Extracurricular activities	1,798	-	-	(1,798)
Interest and fiscal charges	148,501	-	-	(148,501)
Total governmental activities	<u>\$ 11,437,715</u>	<u>\$ 1,529,541</u>	<u>\$ 778,235</u>	<u>(9,129,939)</u>

General Revenues:

Property taxes levied for:

General purposes	5,164,209
Debt service	448,531
Grants and entitlements not restricted to specific programs	2,635,132
Investment earnings	11,915
Miscellaneous	44,607
Total general revenues	<u>8,304,394</u>
Change in net position	(825,545)
Net position at beginning of year	<u>18,689,301</u>
Net position at end of year	<u>\$ 17,863,756</u>

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Adult Education	Construction	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
<u>Current assets:</u>					
Equity in pooled cash and cash equivalents	\$ 6,005,508	\$ 22,878	\$ 731,680	\$ 15,916	\$ 6,775,982
Receivables:					
Taxes	5,869,331	-	-	-	5,869,331
Accounts	16,067	1,808	-	334	18,209
Intergovernmental	14,851	4,089	-	332	19,272
Accrued interest	4,297	-	-	-	4,297
Prepaid items	9,406	-	-	15,425	24,831
Inventory held for resale	70,380	-	-	1,881	72,261
Materials and supplies inventory	5,868	-	-	601	6,469
Total current assets	<u>11,995,708</u>	<u>28,775</u>	<u>731,680</u>	<u>34,489</u>	<u>12,790,652</u>
<u>Noncurrent assets:</u>					
Advances to other funds	<u>1,350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350,000</u>
Total assets	<u>\$ 13,345,708</u>	<u>\$ 28,775</u>	<u>\$ 731,680</u>	<u>\$ 34,489</u>	<u>\$ 14,140,652</u>
<u>Liabilities, deferred inflows of resources</u>					
<u>and fund balances:</u>					
<u>Current liabilities:</u>					
Accounts payable	\$ 60,204	\$ 17,673	\$ 6,788	\$ 254	\$ 84,919
Accrued wages	418,093	49,995	-	241	468,329
Contracts payable	132,654	-	100,665	-	233,319
Intergovernmental payable	96,925	17,646	-	5,090	119,661
Total current liabilities	<u>707,876</u>	<u>85,314</u>	<u>107,453</u>	<u>5,585</u>	<u>906,228</u>
<u>Noncurrent liabilities:</u>					
Advances from other funds	<u>-</u>	<u>1,350,000</u>	<u>-</u>	<u>-</u>	<u>1,350,000</u>
Total liabilities	<u>707,876</u>	<u>1,435,314</u>	<u>107,453</u>	<u>5,585</u>	<u>2,256,228</u>
<u>Deferred inflows of resources:</u>					
Property taxes	5,028,389	-	-	-	5,028,389
Unavailable revenue - delinquent property taxes	291,232	-	-	-	291,232
Unavailable revenue - other	1,065	-	-	113	1,178
Total deferred inflows of resources	<u>5,320,686</u>	<u>-</u>	<u>-</u>	<u>113</u>	<u>5,320,799</u>
<u>Fund balances:</u>					
Nonspendable	1,435,654	-	-	15,425	1,451,079
Restricted	-	-	624,227	13,814	638,041
Assigned	2,279,539	-	-	1,477	2,281,016
Unassigned	3,601,953	(1,406,539)	-	(1,925)	2,193,489
Total fund balances	<u>7,317,146</u>	<u>(1,406,539)</u>	<u>624,227</u>	<u>28,791</u>	<u>6,563,625</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,345,708</u>	<u>\$ 28,775</u>	<u>\$ 731,680</u>	<u>\$ 34,489</u>	<u>\$ 14,140,652</u>

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental funds balances		\$ 6,563,625
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and land held for resale used in governmental activities are not financial resources and therefore are not reported in the funds.		17,014,400
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 291,232	
Miscellaneous	1,178	
Total	292,410	292,410
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (5,240,000)	
Compensated absences	(753,752)	
Accrued interest payable	(12,927)	
Total	(6,006,679)	(6,006,679)
Net position of governmental activities		\$ 17,863,756

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Adult Education	Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 5,220,318	\$ -	\$ -	\$ 448,531	\$ 5,668,849
Intergovernmental	2,635,132	250,801	-	612,094	3,498,027
Interest	11,915	-	-	-	11,915
Tuition and fees	22,681	1,265,124	-	-	1,287,805
Extracurricular activities	500	-	-	-	500
Gifts and donations	3,200	-	-	-	3,200
Charges for services	51,617	-	-	74,484	126,101
Rent	73,590	-	-	-	73,590
Miscellaneous	44,600	36,259	-	4,500	85,359
Total revenues	<u>8,063,553</u>	<u>1,552,184</u>	<u>-</u>	<u>1,139,609</u>	<u>10,755,346</u>
Expenditures:					
Current:					
Instruction:					
Special	640,740	-	-	-	640,740
Vocational	3,257,406	-	-	58,592	3,315,998
Adult/continuing	-	1,144,914	-	105,516	1,250,430
Support services:					
Pupils	751,632	252,998	-	73,625	1,078,255
Instructional staff	23,221	-	-	50,876	74,097
Board of education	243,514	-	8,557	-	252,071
Administration	860,477	417,808	-	-	1,278,285
Fiscal	467,735	-	-	-	467,735
Business	78	-	-	-	78
Operation and maintenance of plant	1,274,826	20,623	-	1,800	1,297,249
Pupil transportation	13,363	2,149	-	-	15,512
Central	400,656	-	-	-	400,656
Operation of non-instructional services	102,315	-	-	194,071	296,386
Extracurricular activities	1,798	-	-	-	1,798
Capital outlay	554,442	-	2,267,216	227,524	3,049,182
Debt service:					
Principal retirement	-	-	-	305,000	305,000
Interest and fiscal charges	-	-	-	143,531	143,531
Total expenditures	<u>8,592,203</u>	<u>1,838,492</u>	<u>2,275,773</u>	<u>1,160,535</u>	<u>13,867,003</u>
Excess of revenues under expenditures	<u>(528,650)</u>	<u>(286,308)</u>	<u>(2,275,773)</u>	<u>(20,926)</u>	<u>(3,111,657)</u>
Other financing sources (uses):					
General obligation bonds issued	-	-	2,900,000	-	2,900,000
Transfers in	-	-	-	80,000	80,000
Transfers out	(80,000)	-	-	-	(80,000)
Total other financing sources (uses)	<u>(80,000)</u>	<u>-</u>	<u>2,900,000</u>	<u>80,000</u>	<u>2,900,000</u>
Net change in fund balances	(608,650)	(286,308)	624,227	59,074	(211,657)
Fund balances at beginning of year	<u>7,925,796</u>	<u>(1,120,231)</u>	<u>-</u>	<u>(30,283)</u>	<u>6,775,282</u>
Fund balances at end of year	<u>\$ 7,317,146</u>	<u>\$ (1,406,539)</u>	<u>\$ 624,227</u>	<u>\$ 28,791</u>	<u>\$ 6,563,625</u>

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ (211,657)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 3,049,182	
Land held for resale sold	(94,324)	
Depreciation expense	<u>(806,121)</u>	
Excess of capital asset additions over depreciation expense and land held for resale sold		2,148,737

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

Property taxes	\$ (56,109)	
Intergovernmental	(87,860)	
Miscellaneous	<u>793</u>	
Net change in deferred inflows of resources during the year		(143,176)

Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 305,000

The issuance of resulted in other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net position as liabilities. Proceeds from general obligation bonds issued (2,900,000)

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

Increase in compensated absences	\$ (19,479)	
Increase in accrued interest	<u>(4,970)</u>	
Total reduced expenditures		<u>(24,449)</u>

Change in net position of governmental activities \$ (825,545)

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 6,351,825	\$ 6,146,786	\$ 5,836,422	\$ (310,364)
Intergovernmental	2,987,266	2,635,132	2,635,132	-
Interest	4,876	4,876	4,876	-
Tuition and fees	22,681	22,681	22,681	-
Gifts and donations	3,700	3,700	3,700	-
Charges for services	17,575	38,867	38,867	-
Rent	73,590	73,590	73,590	-
Miscellaneous	43,987	44,711	44,711	-
Total revenues	<u>9,505,500</u>	<u>8,970,343</u>	<u>8,659,979</u>	<u>(310,364)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	249,893	531,393	661,493	(130,100)
Vocational	3,588,044	3,589,044	3,764,116	(175,072)
Support services:				
Pupils	614,253	614,253	727,220	(112,967)
Instructional staff	155,277	155,277	28,233	127,044
Board of education	263,545	263,545	298,602	(35,057)
Administration	992,893	992,893	900,548	92,345
Fiscal	529,751	529,751	474,861	54,890
Business	525	525	78	447
Operation and maintenance of plant	1,159,337	1,159,337	1,090,333	69,004
Pupil transportation	12,288	12,288	13,363	(1,075)
Central	576,824	576,824	407,237	169,587
Operation of non-instructional services	11,523	11,523	13,026	(1,503)
Extracurricular activities	-	-	7,769	(7,769)
Capital outlay	1,285,962	1,003,462	511,220	492,242
Total expenditures	<u>9,440,115</u>	<u>9,440,115</u>	<u>8,898,099</u>	<u>542,016</u>
Excess of revenues over (under) expenditures	<u>65,385</u>	<u>(469,772)</u>	<u>(238,120)</u>	<u>231,652</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	-	271,918	271,918	-
Refund of prior year expenditures	-	963	963	-
Advances in	-	262,500	262,500	-
Advances out	(485,000)	(485,000)	(485,000)	-
Transfers out	(354,807)	(346,223)	(638,531)	(292,308)
Total other financing sources (uses)	<u>(839,807)</u>	<u>(295,842)</u>	<u>(588,150)</u>	<u>(292,308)</u>
Net change in fund balance	(774,422)	(765,614)	(826,270)	(60,656)
Fund balances at beginning of year	6,324,576	6,324,576	6,324,576	-
Prior year encumbrances appropriated	237,922	237,922	237,922	-
Fund balances at end of year	<u>\$ 5,788,076</u>	<u>\$ 5,796,884</u>	<u>\$ 5,736,228</u>	<u>\$ (60,656)</u>

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
ADULT EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	\$ 527,945	\$ 573,801	\$ 250,801	\$ (323,000)
Tuition and fees	1,009,449	1,407,628	1,270,291	(137,337)
Miscellaneous	104,856	104,856	45,856	(59,000)
Total revenues	<u>1,642,250</u>	<u>2,086,285</u>	<u>1,566,948</u>	<u>(519,337)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Adult/continuing	791,541	1,153,541	1,133,095	20,446
Support services:				
Pupils	243,577	243,577	260,252	(16,675)
Administration	565,483	565,483	433,456	132,027
Operation and maintenance of plant	11,836	11,836	19,156	(7,320)
Pupil transportation	-	-	2,149	(2,149)
Total expenditures	<u>1,612,437</u>	<u>1,974,437</u>	<u>1,848,108</u>	<u>126,329</u>
Excess of revenues over (under) expenditures	<u>29,813</u>	<u>111,848</u>	<u>(281,160)</u>	<u>(393,008)</u>
<u>Other financing sources (uses):</u>				
Refund of prior year receipts	-	-	(4,820)	(4,820)
Advances in	857,750	857,750	375,000	(482,750)
Advances out	-	-	(120,000)	(120,000)
Total other financing sources (uses)	<u>857,750</u>	<u>857,750</u>	<u>250,180</u>	<u>(607,570)</u>
Net change in fund balance	887,563	969,598	(30,980)	(1,000,578)
Fund balances at beginning of year	27,085	27,085	27,085	-
Prior year encumbrances appropriated	12,437	12,437	12,437	-
Fund balances at end of year	<u>\$ 927,085</u>	<u>\$ 1,009,120</u>	<u>\$ 8,542</u>	<u>\$ (1,000,578)</u>

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY FUNDS
AGENCY FUND
JUNE 30, 2013

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 118,156
Accounts receivable	414
Total assets	<u>\$ 118,570</u>
<u>Liabilities:</u>	
Due to students	\$ 118,570
Total liabilities	<u>\$ 118,570</u>

See accompanying notes to the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 – Description of the District and Reporting Entity

The Auburn Vocational School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Auburn Vocational School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. This District operates under an elected Board of Education (11 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of June 30, 2013 was 721. The District employed 41 certificated employees and 28 non-certificated employees.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements are not misleading. The primary government of the District consists of only the funds of those organizational entities for which its elected governing body is financially accountable. For the District, this includes education, pupil transportation, food service and maintenance of the District facilities.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

The District participates in two jointly governed organizations, a claims servicing pool and an insurance purchasing pool. These organizations are, the Ohio Schools Council, the Ohio School Boards Association Workers’ Compensation Group Rating Program, the Lake-Geauga Computer Association and Health Care Benefits Program of Lake County Schools Council. These organizations are discussed in Notes 10, 14 and 15 to the basic financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. For fiscal year 2013, the District has no proprietary funds.

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

General Fund – The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Adult Education Fund – The adult education special revenue fund is used to account for grants and tuition associated with providing education to adults.

Construction Fund – The construction capital project fund is used to account for the acquisition, construction, or improvement of capital facilities.

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

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

C. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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, fees and rentals.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any deferred outflows of resources at year end.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance the fiscal year 2014 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2013, investments were limited to STAR Ohio, certificates of deposit, and a US T-Note. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year 2013 amounted to \$11,915 in the general fund, which includes \$2,277 assigned from other governmental funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months, not purchased from the pool, are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws or other governments or imposed by enabling legislation. There are no restricted assets in 2013.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used.

Inventories consist of donated foods, purchased foods, school supplies and homes being built by students held for resale and material and supplies for consumption.

I. Capital Assets

All capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District 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.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Building and improvements	10 - 50 years
Furniture and equipment	5 - 10 years
Vehicles	10 years
Text books	6 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

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

L. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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M. Fund Balance

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

Assigned fund balance classifications are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or 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 School District Board of Education.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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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N. 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.

O. Estimates

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

P. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting.

The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels.

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

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

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Note 3 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	<u>General</u>	<u>Adult Education</u>	<u>Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>					
Materials and supplies inventory	\$ 76,248	\$ -	\$ -	\$ -	\$ 76,248
Prepays	9,406	-	-	15,425	24,831
Long term advances	<u>1,350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350,000</u>
Total nonspendable	<u>1,435,654</u>	<u>-</u>	<u>-</u>	<u>15,425</u>	<u>1,451,079</u>
<u>Restricted for</u>					
Capital improvements	-	-	624,227	-	624,227
Vocational instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,814</u>	<u>13,814</u>
Total restricted	<u>-</u>	<u>-</u>	<u>624,227</u>	<u>13,814</u>	<u>638,041</u>
<u>Assigned</u>					
Customer services	103,116	-	-	-	103,116
Uniform school supplies	10,197	-	-	-	10,197
Public school support	475	-	-	-	475
Permanent improvements	-	-	-	1,477	1,477
Encumbrances	227,564	-	-	-	227,564
Next years budget	<u>1,938,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,938,187</u>
Total assigned	<u>2,279,539</u>	<u>-</u>	<u>-</u>	<u>1,477</u>	<u>2,281,016</u>
Unassigned (deficit)	<u>3,601,953</u>	<u>(1,406,539)</u>	<u>-</u>	<u>(1,925)</u>	<u>2,193,489</u>
Total fund balances	<u>\$ 7,317,146</u>	<u>\$ (1,406,539)</u>	<u>\$ 624,227</u>	<u>\$ 28,791</u>	<u>\$ 6,563,625</u>

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Note 4 – Accountability

The following funds had a deficit fund balance as of June 30, 2013:

	<u>Amount</u>
Special revenue funds:	
Adult education	\$ 1,406,539
Food service	1,680

The general fund is responsible to cover deficit fund balances by means of a transfer or advance. However, this is done when cash is needed rather than when accruals occur.

Note 5 – Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the general fund and the adult education special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned or restricted fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

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Net Change in Fund Balance	<u>General</u>	Adult <u>Education</u>
GAAP basis	\$ (608,650)	\$ (286,308)
Revenue accruals	860,138	14,764
Prior year adjustment for fair market value of investments	9,563	-
Current year adjustment to fair market value of investments	106	-
Advances in	262,500	375,000
Expenditure accruals	(616,632)	(121,724)
Advances out	(485,000)	-
Budgeted as part of special revenue funds:		
Revenues	(500)	-
Transfers to/from general fund	(20,000)	-
Expenditures	32,645	-
Encumbrances (Budget Basis) outstanding at year end	<u>(260,440)</u>	<u>(12,712)</u>
Budget basis	<u>\$ (826,270)</u>	<u>\$ (30,980)</u>

Note 6 – Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing within five years from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days 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 interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on hand – At fiscal year end, the District had \$1,315 in undeposited cash on hand, which is included in the balance sheet of the District as part of equity in pooled cash and cash equivalents.

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Deposits

At June 30, 2013, the carrying amount of the District’s deposits was \$4,016,050. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, as of June 30, 2013, the School District’s bank balance was \$4,044,163 and \$873,890 of this balance may be exposed to custodial credit risk from being uninsured and uncollateralized. A portion of the securities pledged as collateral were held by another financial institution and the remaining amounts were held in a pledge account at the Federal Reserve and all in compliance with statutory requirements for the security of public money. However, potential noncompliance with Federal requirements, with respect to the collateral agreement, could subject the District to a successful claim by the Federal Deposit Insurance Corporation should the depository fail.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in the 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 a specific collateral held at the Federal Reserve Bank in the name of the District.

Investments

Investments are reported at fair value. As of June 30, 2013, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
US Treasury Note	\$ 250,146	05/31/14	AAA ⁽¹⁾
STAR Ohio	<u>2,626,627</u>	57.5 ⁽²⁾	AAAm ⁽¹⁾
Total	<u>\$ 2,876,773</u>		

⁽¹⁾ Standard and Poor's rating

⁽²⁾ Days (Average)

Interest Rate Risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses caused by rising interest rates, the District’s investment policy requires that operating funds be invested primarily in investments so that the securities mature to meet cash requirements for ongoing operations and long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than four years.

Credit Risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio also carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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Note 7 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utility) located in the District. Real property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2011. The tax was phased out by reducing the assessment rate on the property over several years. The bill provided reimbursements to the School District equivalent to the revenue lost due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue due to the phase out. House Bill No. 153 was signed into law on June 30, 2011. This bill dramatically reduced these reimbursements to the School District. Under the current state law, the District will continue to be reimbursed at this reduced level.

The District receives property taxes from Lake County, Geauga County and Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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The amount available as an advance at June 30, 2013, was \$549,710 in the general fund. The amount available as an advance at June 30, 2012, was \$717,283 in the general fund.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	<u>Lake County</u>	<u>Geauga County</u>	<u>Trumbull County</u>
Real property - 2012 valuations			
Residential/agricultural	\$ 1,722,876,450	\$ 1,729,058,480	\$ 3,274,560
Other	316,893,460	292,945,380	102,280
Tangible personal property			
Public utilities	<u>200,807,030</u>	<u>47,135,500</u>	<u>-</u>
Total	<u>\$ 2,240,576,940</u>	<u>\$ 2,069,139,360</u>	<u>\$ 3,376,840</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 1.50	 \$ 1.50	 \$ 1.50

Note 8 – Receivables

Receivables at June 30, 2013 consisted of taxes, accounts, accrued interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year. The following is a summary of the intergovernmental receivables.

	<u>Amount</u>
Governmental activities:	
General	\$ 14,851
Adult education	4,089
Food service	<u>332</u>
Total intergovernmental receivables	<u>\$ 19,272</u>

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Note 9 – Capital Assets and Property Held for Resale

A. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance June 30, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,089,087	\$ -	\$ -	\$ 2,089,087
Construction in progress	-	84,065	-	84,065
Total capital assets, not being depreciated	<u>2,089,087</u>	<u>84,065</u>	<u>-</u>	<u>2,173,152</u>
Capital assets, being depreciated				
Land improvements	1,065,286	-	-	1,065,286
Building and building improvements	17,925,824	2,645,209	-	20,571,033
Furniture and equipment	5,446,685	319,908	-	5,766,593
Vehicle	164,931	-	-	164,931
Library and text books	84,008	-	-	84,008
Total capital assets being depreciated	<u>24,686,734</u>	<u>2,965,117</u>	<u>-</u>	<u>27,651,851</u>
Less accumulated depreciation				
Land improvements	(613,173)	(33,868)	-	(647,041)
Building and building improvements	(6,853,045)	(510,026)	-	(7,363,071)
Furniture and equipment	(4,473,410)	(248,034)	-	(4,721,444)
Vehicle	(94,434)	(14,193)	-	(108,627)
Library and text books	(84,008)	-	-	(84,008)
Total accumulated depreciation	<u>(12,118,070)</u>	<u>(806,121)</u>	<u>-</u>	<u>(12,924,191)</u>
Total capital assets being depreciated, net	<u>12,568,664</u>	<u>2,158,996</u>	<u>-</u>	<u>14,727,660</u>
Governmental activities capital assets, net	<u>\$ 14,657,751</u>	<u>\$ 2,243,061</u>	<u>\$ -</u>	<u>\$ 16,900,812</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$ 407,787
Adult education	5,608
Support services:	
Pupil	1,330
Instructional staff	115,465
Administration	9,149
Operation and maintenance of plant	228,103
Pupil transportation	625
Central	32,748
Operation of non-instructional services	<u>5,306</u>
Total depreciation expense	<u>\$ 806,121</u>

B. Property Held for Resale

Property held for resale of \$207,912 was purchased by the District for housing projects built by the District students. During the year a house was sold, leaving a balance of \$113,588 yet to be sold. Proceeds from the sale of the land and house will be used for subsequent projects. The sale date of the property cannot be estimated, therefore is included as a long-term asset.

	Balance June 30, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>
Governmental Activities				
Property held for resale	\$ 207,912	\$ -	\$ (94,324)	\$ 113,588

Note 10 – Risk Management

A. Property and Liability

The District has contracted with Argonaut Insurance for their Property and Casualty Insurance Program. The program includes Property Insurance (which includes Flood, Earthquake, Inland Marine, Crime and Boiler and Machinery), General Liability Insurance with limits of \$1,000,000 each occurrence and \$3,000,000 aggregate (which includes Sexual Misconduct and Molestation Insurance and School Leaders E&O Insurance). The Auto Liability Insurance coverage has limits of \$1,000,000 combined single limit each accident. The District's property and casualty insurance program also has an Umbrella Liability Insurance policy with limits of \$3,000,000 each occurrence and \$3,000,000 aggregate.

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The Liability Policy insures the District, the Board, the board members, administrators, employees, and volunteers with respect to their duties in connection with the District.

Settled claims have not exceeded the Property and Casualty Coverage in any of the last three years. There has not been a reduction in coverage from the prior year.

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance rating pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school district in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. 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 and actuarial services to the GRP.

Note 11 – Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2013, 13.10 percent of annual covered salary was the portion used to fund pension obligations. 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.

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The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$197,101, \$212,169 and \$215,744 respectively; 98.3 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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

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

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent. 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.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$607,827, \$576,721, and \$653,466 respectively; 91.6 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$54,657 made by the District and \$39,041 made by the plan members.

Note 12 – Postemployment Benefits

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,525.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$21,704, \$29,952, and \$47,587, respectively; 98.3 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$11,134, \$12,530, and \$13,884 respectively; 98.3 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health 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 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 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$46,756, \$44,363, and \$50,267, respectively; 91.6 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Note 13 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, an employee is paid for the accumulated sick days over 30 days up to a maximum of 300 accumulated sick days.

Note 14 – Jointly Governed Organizations

A. Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 198 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-five northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council’s Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2013, the District paid the Council \$51,915 for natural gas purchases, and \$3,025 for membership fees, co-operative purchasing and other services. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

B. Lake-Geauga Computer Association

The Lake-Geauga Computer Association (LGCA) is a jointly governed organization that 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 districts. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. Each of the governments of these schools supports LGCA based on a per pupil charge. The degree of control exercised by any participating school district is limited to its representation on the Assembly. Continued existence of the LGCA Computer Center is not dependent on the District's continued participation. During fiscal year 2013, the District paid \$25,430 to LGCA. Financial information can be obtained from LGCA, 8221 Auburn Road, Painesville, OH 44077.

Note 15 – Claims Servicing Pool

The District participates in the Health Care Benefits Program of Lake County Schools Council (the Program), a claims servicing pool comprised of eleven Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five-member Board of Directors elected by the Program's assembly. The assembly elects officers for one-year terms to serve on the Board of Directors. The District pays a monthly contribution, which is placed in a common fund from which the claim payments are made for all participating school districts. Claims are paid for all participants regardless of claim flow. The program is operated as a full indemnity program with no financial liability (other than the monthly premiums) or risk to the District. The Program shall pay the run out of all claims for a withdrawing member. Any member that withdraws from the Program pursuant to the Program Agreement shall have no claim to the Program's assets. Financial information can be obtained from Mike Vaccariello, Treasurer, Madison Local School District, 6741 North Ridge Road, Madison, OH 44057.

Note 16 – Contingencies

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

B. Litigation

The District is a party to legal proceedings. The District is of the opinion that the ultimate disposition of the claims will not have a material effect, if any, on the financial condition of the District.

Note 17 – Interfund Transactions

Long-term advances at June 30, 2013 consisted of the following:

Advances from the general fund to:	
Adult education	<u>\$ 1,350,000</u>
Total advances to/from other funds	<u>\$ 1,350,000</u>

As of June 30, 2013, \$1,350,000 of interfund loans outstanding are classified as long-term and are anticipated to be repaid at a future date.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfers to nonmajor governmental funds from:	
General fund	\$ 80,000

Note 18 – Set-Asides

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

Although the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

The following information describes the change in the year-end set-aside amounts for capital maintenance.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	Capital Improvements Reserve
Set-aside reserve balance as of June 30, 2012	\$ -
Current year set-aside requirement	55,020
Qualifying disbursements	<u>(439,007)</u>
Total	<u>\$ (383,987)</u>
Set-aside balance as of June 30, 2013 and carried forward to future fiscal years	<u>\$ -</u>

Note 19 – Long-Term Obligations

Changes in long-term obligations of the District during fiscal year 2013 were as follows:

	<u>Outstanding June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2013</u>	<u>Amounts Due in One Year</u>
<u>General obligation bonds</u>					
2011 School Improvement bonds, 3.61%	\$ 2,645,000	\$ -	\$ (150,000)	\$ 2,495,000	\$ 155,000
2012 School Improvement bonds, 2.34%	-	2,300,000	(140,000)	2,160,000	135,000
2012 School Improvement bonds, Series B, 2.48%	<u>-</u>	<u>600,000</u>	<u>(15,000)</u>	<u>585,000</u>	<u>35,000</u>
Total general obligation bonds	<u>2,645,000</u>	<u>2,900,000</u>	<u>(305,000)</u>	<u>5,240,000</u>	<u>325,000</u>
 <u>Other long-term obligations</u>					
Compensated absences	<u>734,273</u>	<u>126,261</u>	<u>(106,782)</u>	<u>753,752</u>	<u>96,987</u>
Total long-term obligations	<u>\$ 3,379,273</u>	<u>\$ 3,026,261</u>	<u>\$ (411,782)</u>	<u>\$ 5,993,752</u>	<u>\$ 421,987</u>

General Obligation Bonds: General obligation bonds are direct obligations of the District for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the bond retirement debt service fund.

On July 20, 2011, the District issued \$2.8 million in general obligation bonds which include serial bonds with an interest rate of 3.61% for the purpose of construction, renovating, rehabilitating and equipping school facilities, including installations, modifications and remodeling of school buildings to conserve energy.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

In August 2012, the District issued \$2,300,000 in School Improvement Bonds for the purpose of constructing, renovating, rehabilitating, equipping and remodeling school facilities to conserve energy. The first payment on these bonds was due on December 1, 2012. These bonds are to be repaid from the debt service fund and are scheduled to mature in June, 2027.

In November 2012, the District issued \$600,000 in School Improvement Bonds for the purpose of constructing a new school facility for the District's industrial arts program. The first payment on the bonds was due on June 1, 2013. These bonds are to be repaid from the debt service fund and are scheduled to mature in June, 2027.

Compensated absences will be paid from the fund from which the employees' are paid.

Note 20 – Implementation of new accounting standard

For fiscal year 2013, the District has implemented Governmental Accounting Standards Board Statement (GASBS) No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

GASBS No. 63 established standards for the reporting of net position which was previously referred to as net assets. The District's implementation had no effect on the amount of beginning net position.

For fiscal year 2013, the District has also implemented Governmental Accounting Standards Board Statement (GASBS) No. 65, "Items Previously Reported as Assets and Liabilities".

GASBS No. 65 established standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. The District's implementation had no effect on the amount of beginning net position.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>					
<i>Passed Through Ohio Department of Education</i>					
<i>Nutrition Cluster:</i>					
School Breakfast Program	10.553	\$ 13,687	\$ -	\$ 13,687	\$ -
National School Lunch Program	10.555	25,883	2,393	25,883	2,393
Total Nutrition Cluster		<u>39,570</u>	<u>2,393</u>	<u>39,570</u>	<u>2,393</u>
Total U.S. Department of Agriculture		<u>39,570</u>	<u>2,393</u>	<u>39,570</u>	<u>2,393</u>
<u>U.S. Department of Education</u>					
<i>Passed Through Ohio Department of Education</i>					
Adult Education-Basic Grants to States	84.002	205,183	-	179,321	-
Career and Technical Education	84.048	358,505	-	358,505	-
<i>Direct Assistance:</i>					
Rural Education Achievement Program (REAP)	84.358	37,393	-	37,393	-
Direct Student Loan Program	84.268	863,992	-	863,992	-
Total U.S. Department of Education		<u>1,465,073</u>	<u>-</u>	<u>1,439,211</u>	<u>-</u>
Total Federal Assistance		<u>\$ 1,504,643</u>	<u>\$2,393</u>	<u>\$ 1,478,781</u>	<u>\$2,393</u>

The accompanying notes to this schedule are an integral part of this schedule.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Auburn Vocational School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – NUTRITION CLUSTER

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

NOTE C – FOOD DONATIONS

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



Dave Yost • Auditor of State

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

Auburn Vocational School District
Lake County
8140 Auburn Road
Painesville, Ohio 44077

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Auburn Vocational School District, Lake County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 5, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

www.auditor.state.oh.us

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 5, 2014



Dave Yost • Auditor of State

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

Auburn Vocational School District
Lake County
8140 Auburn Road
Painesville, Ohio 44077

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Auburn Vocational School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Auburn Vocational School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Auburn Vocational School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 5, 2014

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA#84.268 - Federal Direct Student Loans
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Auburn Vocational School District
Lake County
8140 Auburn Road
Painesville, Ohio 44077

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Auburn Vocational School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on June 26, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 5, 2014

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Dave Yost • Auditor of State

AUBURN VOCATIONAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 8, 2014**