

Certified Public Accountants • Strategic Business Advisors



weber • obrien ltd.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

Certified Public Accountants • Strategic Business Advisors



weber · obrien ltd.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

TABLE OF CONTENTS

Independent Auditors' Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types and Similar Trust Funds	3
Combined Statement of Revenues, Expenses and Changes in Fund Equity –Proprietary Fund Types	4
Combined Statement of Cash Flows – Proprietary Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non GAAP Budget Basis) Governmental Fund Types and Similar Trust Funds	6
Notes to Combined Financial Statements	7-27
Schedule of Expenditures of Federal Awards	28
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	29
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	30-31
Schedule of Findings and Questioned Costs	32
Summary Schedule of Prior Audit Findings	33
Required Supplemental Information – Year 2000 Issue (Unaudited)	34



STATE OF OHIO
OFFICE OF THE AUDITOR

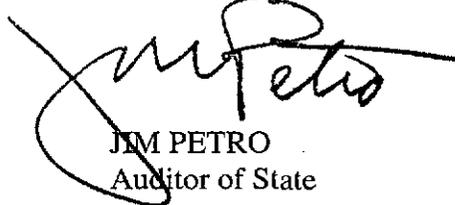
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

Board of Education
Four County Joint Vocational School District
Archbold, Ohio

We have reviewed the Independent Auditor's Report of the Four County Joint Vocational School District, Henry County, prepared by Weber O'Brien Ltd., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO
Auditor of State

January 13, 2000



weber · obrien ltd.

INDEPENDENT AUDITORS' REPORT

Board of Education
Four County Joint Vocational School District
22-900 SR 34
Archbold, OH 43502

We have audited the accompanying general-purpose financial statements of the Four County Joint Vocational School District ("District"), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Four County Joint Vocational School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 1999 on our consideration of the Four County Joint Vocational School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Four County Joint Vocational School District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

The information on page 34 regarding the Year 2000 Issue is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. However, we did not audit the information and express no opinion on it.

W e b e r · O ' B r i e n , L T D .

November 30, 1999

FOUR COUNTY JVS
Combined Balance Sheet
All fund Types and Account Groups
As of June 30, 1999

Account Description	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum)
	General Fund	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General Fixed Asset Account Group (GFAAG)	General Long-Term Debt Account Group (GLTDAG)	
Assets and Other Debits:								
Equity in Pooled Cash and Cash Equivalents	\$ 4,948,275	\$ 70,230	\$566,028	\$247,880	\$349,408			\$ 6,181,821
Receivables:								
Taxes	5,232,737		368,350					5,601,087
Accounts	4,975			62,160	276			67,411
Intergovernmental		112,100	56,368					168,468
Accrued Interest	53,020		1,022	10				54,052
Interfund Receivable	168,468							168,468
Inventory Held for Resale				29,864				29,864
Materials and Supplies Inventory	99,529			1,348				100,877
Prepaid Items	12,793	17						12,810
Restricted Assets:								
Equity in Pooled Cash and Cash Equivalents	111,695							111,695
Fixed Assets:								
Fixed Assets				105,437		\$20,502,800		20,608,237
Accumulated Depreciation:								
Accumulated Depreciation				(84,948)		(13,057,669)		(13,142,617)
Other Debits:								
Provided from General Government Resources							3,384,719	3,384,719
Total Assets and Other Debits	\$10,631,492	\$ 182,347	\$ 991,768	\$ 361,751	\$349,684	\$7,445,131	\$3,384,719	\$23,346,892
Liabilities:								
Accounts Payable	\$ 54,196	\$ 60		\$ 8,824				\$ 63,080
Accrued Wages and Benefits	802,346	19,550		24,297				846,193
Compensated Absences Payable	6,532			29,372			\$ 694,704	730,608
Interfund Payable		112,100	\$ 56,368					168,468
Deferred Revenue	4,873,590		342,617	1,348				5,217,555
Due to Students					\$ 2,167			2,167
Capital Leases Payable							69,049	69,049
Energy Conservation Loan Payable							1,033,468	1,033,468
Asbestos Removal Loan Payable							1,587,498	1,587,498
Total Liabilities	\$ 736,664	\$ 131,710	\$ 398,985	\$ 63,841	\$ 2,167		\$ 3,384,719	\$ 7,718,086
Fund Equity and Other Credits:								
Investment in General Fixed Assets						\$7,445,131		7,445,131
Contributed Capital				6,494				6,494
Retained Earnings:								
Unreserved				291,416				291,416
Fund Balances:								
Reserved:								
Reserved for Encumbrances	287,627	40,010	20,300					347,937
Reserved for Inventory	99,529							99,529
Reserved for Prepaid Items	12,793	17						12,810
Reserved for Budget Stabilization	111,695							111,695
Unreserved:								
Designated					100,000			100,000
Unreserved, Undesignated	4,383,184	10,610	572,483		247,517			5,213,794
Total Fund Equity and Other Credits	4,894,828	\$0,637	\$92,783	297,910	\$47,517	7,445,131		13,628,806
Total Liabilities, Fund Equity and Other Credits	\$10,631,492	\$ 182,347	\$991,768	\$361,751	\$349,684	\$ 7,445,131	\$3,384,719	\$23,346,892

The accompanying notes are an integral part of the financial statements.

FOUR COUNTY JVS
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Fund Types and Similar Trust Funds

For the Fiscal Year Ended June 30, 1999

Account Description	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum)
Revenues:						
Intergovernmental	\$3,774,261	\$559,629		\$ 84,252		\$4,418,142
Interest	338,926			6,093		345,019
Tuition and Fees	34,692					34,692
Gifts and Donations	5,051				\$143,306	148,357
Customer Services	95,166					95,166
Property & Other Local Taxes	4,517,905			316,214		4,834,119
Miscellaneous	115	23,816				23,931
Total Revenues	<u>8,766,116</u>	<u>583,445</u>		<u>406,559</u>	<u>143,306</u>	<u>9,899,426</u>
Expenditures:						
Current:						
Instruction:						
Regular	451,170					451,170
Vocational	3,770,408	190,902		133,205	1,400	4,095,915
Adult/Continuing	136,686	114,025				250,711
Support services:						
Pupils	912,630	112,197		4,154		1,028,981
Instructional Staff	235,786	71,344				307,130
Board of Education	47,786					47,786
Administration	930,129			1,172		931,301
Fiscal	301,323			8,242		309,565
Business	71,273					71,273
Operation and Maintenance of Plant	874,259					874,259
Pupil Transportation	15,413					15,413
Central	60,680	39,343				100,023
Non-Instructional Services	223					223
Extracurricular activities	36,949					36,949
Capital Outlay		13,062		17,095		30,157
Debt Service:						
Debt Service - Principal	210,306	45,370	\$110,000	123,861		489,537
Debt Service - Interest	23,203	1,510	57,138			81,851
Total Expenditures	<u>8,078,224</u>	<u>587,753</u>	<u>167,138</u>	<u>287,729</u>	<u>1,400</u>	<u>9,122,244</u>
Excess of Revenues Over (Under)						
Expenditures	687,892	(4,308)	(167,138)	118,830	141,906	777,182
Other Financing Sources and Uses:						
Operating Transfers In			167,138	56,368		223,506
Refund of Prior Year Expenditures	9,144					9,144
Operating Transfers Out	(223,506)					(223,506)
Refund of Prior Year Receipts	(359)	(23,111)				(23,470)
Total Other Financing Sources (Uses)	<u>(214,721)</u>	<u>(23,111)</u>	<u>167,138</u>	<u>56,368</u>		<u>(14,326)</u>
Excess of Rev and Other over (under) Exp and Other...	473,171	(27,419)		175,198	141,906	762,856
Fund Balance at Beginning of Year	4,421,657	78,056		417,585	105,611	5,022,909
Fund Balance at End of Year	<u>\$4,894,828</u>	<u>\$ 50,637</u>	<u>\$</u>	<u>\$592,783</u>	<u>\$247,517</u>	<u>\$5,785,765</u>

The accompanying notes are an integral part of the financial statements.

FOUR COUNTY JVS

Combined Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund Types

For the Fiscal Year Ended June 30, 1999

Account Description	<u>Enterprise Funds</u>	<u>Totals (Memorandum)</u>
<u>Operating Revenues:</u>		
Tuition	\$250,642	\$250,642
Sales	305,023	305,023
Charges for Services	52,734	52,734
Other Revenues	1,209	1,209
Total Operating Revenues	<u>\$609,608</u>	<u>\$609,608</u>
<u>Operating Expenses:</u>		
Salaries	\$358,563	\$358,563
Fringe Benefits	104,643	104,643
Purchased Services	78,978	78,978
Materials and Supplies	261,182	261,182
Depreciation	3,452	3,452
Other	380	380
Capital Outlay	2,537	2,537
Total Operating Expenses	<u>809,735</u>	<u>809,735</u>
Operating Income (Loss)	<u>(200,127)</u>	<u>(200,127)</u>
<u>Non-Operating Revenues and Expenses:</u>		
Federal Donated Commodities	7,238	7,238
Interest	343	343
Federal and State Subsidies	218,754	218,754
Other	8,711	8,711
Total Non-Operating Revenues and Expenses:	<u>235,046</u>	<u>235,046</u>
Income (Loss) Before Operating Transfers	34,919	34,919
Net Income (Loss)	34,919	34,919
Retained Earnings at Beginning of Year	<u>256,497</u>	<u>256,497</u>
Retained Earnings at End of Year	<u>291,416</u>	<u>291,416</u>
Contributed Capital at Beginning of Year	10,091	10,091
Reductions During the Year	<u>(3,597)</u>	<u>(3,597)</u>
Contributed Capital at End of Year	<u>6,494</u>	<u>6,494</u>
Total Fund Equity at End of Year	<u>\$297,910</u>	<u>\$297,910</u>

The accompanying notes are an integral part of the financial statements.

FOUR COUNTY JVS
 Combined Statement of Cash Flows
 Proprietary Fund Types

For the Fiscal Year Ended June 30, 1999

Account Description	<u>Enterprise</u>	<u>Totals (Memorandum)</u>
Increase/(Decrease) in Cash & Cash Equivalents:		
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Sales	\$305,023	\$305,023
Cash Received from Tuition and Fees	203,254	203,254
Other Cash Receipts	54,788	54,788
Cash Payments to Suppliers for Goods & Services	(258,634)	(258,634)
Cash Payments for Contract Services	(64,724)	(64,724)
Cash Payments for Employee Services	(465,873)	(465,873)
Other Cash Payments	(368)	(368)
Net Cash Provided by (Used for) Operating Activities	(226,534)	(226,534)
<u>Cash Flows from Noncapital Financing Activities:</u>		
Operating Grants Received	233,986	233,986
Net Cash Provided by (Used for) Noncapital Financing Activities	233,986	233,986
Net Increase (Decrease) in Cash and Cash Equivalents	7,452	7,452
Cash & Cash Equivalents at Beginning of Year	240,428	240,428
Cash & Cash Equivalents at End of Year	<u>\$247,880</u>	<u>\$247,880</u>
Reconciliation of Operating Income (Loss) to Net		
<u>Cash Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss)	(\$200,127)	(\$200,127)
Adjustments to Reconcile Operating Income (Loss)		
<u>To Net Cash Provided by (Used for) Operating Activities:</u>		
Depreciation	3,452	3,452
(Increase) Decrease in Assets:		
Accounts Receivable	(36,753)	(36,753)
Inventory Held for Resale	988	988
Material and Supplies Inventory	1,237	1,237
Accrued Interest	(10)	(10)
Increase (Decrease) in Liabilities:		
Compensated Absences Payable	(278)	(278)
Deferred Revenue	(1,237)	(1,237)
Accounts Payable	8,659	8,659
Accrued Wages and Benefits	(2,465)	(2,465)
Total Adjustments	(26,407)	(26,407)
Net Cash Provided by (Used for) Operating Activities	<u>(\$226,534)</u>	<u>(\$226,534)</u>
Reconciliation of Cash and Cash Equivalents		
<u>of Non-Expendable Trust Funds to Balance Sheet</u>		
Cash & Cash Equivalents – Expendable Trust & Agency		\$249,408
Cash & Cash Equivalents – Non Expendable Trust		<u>100,000</u>
Cash & Cash Equivalents – All Fiduciary Funds		<u>\$349,408</u>

The accompanying notes are an integral part of the financial statements.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Four County Joint Vocational School District is a joint vocational school district created under provisions of Section 3311.18 of the Ohio Revised Code. The school district was established in 1966, with classes beginning in September, 1969, and serves 22 districts located in Defiance, Fulton, Henry and Williams counties. The District is operated under a board of education consisting of eleven members. The vocational school district provides job training for residents of participating districts. Currently, Four County Joint Vocational School District provides twenty-nine courses of instruction in such varied fields as chef training, electronics, machine trades and plastics. The average daily membership as of October 1998 was 882. The district employed 12 administrators and supervising personnel, 84 certified and 40 noncertified employees.

Four County Joint Vocational School District provides regular, vocational, and adult continuing instruction. Also, Four County Joint Vocational School District has support services for pupils, instructional staff, general and school administration, fiscal and business affairs. In addition, Four County School District accounts for various extra-curricular activities and retirement of debt obligations.

This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards. The reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The financial statements of the reporting entity allow the users to distinguish between the primary government and its component units. Most component units are included in the financial reporting entity by discrete presentation (one or more columns separate from the financial data of the primary government). Some component units are so intertwined with the primary government that they are reported in a manner similar to the balances and transactions of the primary government itself (this method is known as blending). The District has no component units.

The District reports under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", under which the financial statements include all the organizations, activities, functions and component units for which the district (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the district. On the basis of the provisions of GASB Statement #14, no organizations are financially accountable to the District as component units.

However, in accordance with GASB Statement #14, there are two organizations that require separate disclosure because of the nature of their relationships with the District. These organizations are discussed in Note 17:

Northern Buckeye Education Council.

Northwest Ohio Computer Association.

Management believes the financial statements included in this report represent all of the funds of Four County Joint Vocational School District over which Four County Joint Vocational School District has the ability to exercise direct operating control.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Four County Joint 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories; governmental, proprietary and fiduciary. Governmental Fund Types are those through which most governmental functions of the School District are financed.

Governmental Funds - The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Basis Of Presentation - Fund Accounting, Continued

Proprietary Fund Types - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types - Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All proprietary fund types and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year-end.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Measurement Focus and Basis of Accounting, Continued

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and nonexpendable trust funds. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget: Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources: By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations: At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Cash balances of most district funds are pooled and invested. The investments of pooled cash, which are stated at cost approximating market value, consist primarily of Certificates of Deposit at local banks and Treasury notes issued by the Federal Government. Individual fund integrity is maintained through school district records.

Except for nonparticipating investment contracts, and investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are recorded at cost or amortized cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, 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.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of five hundred dollars. The School 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Depreciation of buildings, furniture, equipment and vehicles in the general fixed asset account group and proprietary fund is computed using the straight-line method. Improvements to fund fixed assets are depreciated over the remaining useful life of the related fixed asset.

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction (See Note 20).

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities,

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Intergovernmental Revenues, Continued

grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Effective Schools
Career Development
Education Management Information Systems
Community Education
Teacher Development
Adult Vocational Education
Adult Basic Education
Job Training Partnership
Vocational Education
Innovative Education
Adult Basic and Literacy Education
Consumer Education
Security Grant
E-Rate

Reimbursable Grants

Proprietary Fund

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Capital Projects Fund

Vocational Education Equipment
School Net
School Net Professional Development

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. 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 School District will compensate the employees for the benefits through paid time off or some other means.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Compensated Absences, Continued

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, prepaids, and budget stabilization.

O. Designated Fund Balance

Designated fund balance represents unreserved fund balance that has been designated by the District Board for specific purposes, but do not represent a reservation of fund balance.

The non-expendable trust fund consists of \$100,000 of unreserved fund balance, specifying that the interest earned from this designated balance is to be used for student activities in lieu of fund raising activities. The activity in this fund has not been reflected in the combined statement of revenues, expenses, and charges in fund equity-proprietary fund because the amounts are immaterial.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

R. Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances Budget and Actual- All Governmental Fund Types and Similar Trust Funds 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 the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance/retained earnings (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on the Budget Basis to the GAAP basis are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Expendable Trust</u>	<u>Enterprise</u>
Budget Basis	\$210,703	(\$47,624)	\$162,162	\$141,906	(\$ 8,383)
Rev. Accruals	(159,446)	(62,668)	(59,959)	-0-	47,602
Exp. Accruals	134,287	42,863	52,695	-0-	(20,124)
Encumbrances	<u>287,627</u>	<u>40,010</u>	<u>20,300</u>	<u>-0-</u>	<u>15,824</u>
GAAP Basis	<u>\$473,171</u>	<u>(\$27,419)</u>	<u>\$175,198</u>	<u>\$141,906</u>	<u>\$34,919</u>

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 4 – EQUITY IN POOLED CASH AND EQUIVALENTS

State statutes classify monies held by the School 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 School 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Investments: State Statute and Board Resolution authorize the School to invest in obligations of U. S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, repurchase agreements and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School 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.

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments".

The District's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the District or its safekeeping agent in the District's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the District's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the school district's name.

The following show the District's deposits (bank balances) in each category:

Category 1.	\$ 400,000 was covered by federal depository insurance.
Category 3.	\$3,656,000 was covered by collateral held by the pledging financial institution, but not in the name of the district.

Collateral is required for demand deposits and certificates of deposit at 110 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 4 – EQUITY IN POOLED CASH AND EQUIVALENTS, Continued

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the District's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the District's name.

	<u>Carrying Amount</u>	<u>Market Amount</u>
U.S. Treasury Notes Category A	\$1,302,371	\$1,303,000
Total Investments	<u>\$1,302,371</u>	<u>\$1,303,000</u>
Reconciliation to Balance Sheet:		
District's Deposits		3,847,044
Petty Cash and Drawer Change		450
Investments		1,302,371
Star Ohio		<u>1,143,651</u>
Total Equity in pooled cash and investments		<u>\$6,293,516</u>
Classification in Balance Sheet:		
Unrestricted		6,181,821
Restricted		<u>111,695</u>
Total Per Balance Sheet		<u>\$6,293,516</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years.

Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true 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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Defiance, Fulton, Henry, Lucas, Paulding, Putnam, Williams and Wood Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 5 - PROPERTY TAXES, Continued

The assessed value upon which the 1999 taxes were collected was \$2,155,660,600 of which real and public utility property represented 72%, (\$1,551,217,700) of the total and tangible personal property represented 28% (\$604,442,900). The full tax rate for all District operations applied to real property for fiscal year ended June 30, 1999 was \$3.20 per \$1,000 of assessed valuation.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$2.14 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$2.54 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$384,880 and is recognized as revenue. \$359,147 was available to the general fund and \$25,733 was available to the permanent improvement fund.

NOTE 6 - ACCOUNTS RECEIVABLE

Receivables at June 30, 1999, consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

<u>Receivables</u>	<u>Amount</u>
<u>General Fund:</u>	
Taxes - Current	\$ 359,147
Taxes - Deferred	4,873,590
Accounts Receivable	4,975
Accrued Interest Receivable	53,020
<u>Special Revenue Funds:</u>	
Intergovernmental	112,100
<u>Capital Projects:</u>	
Taxes - Current	25,733
Taxes - Deferred	342,617
Accrued Interest Receivable	1,022
Intergovernmental	56,368
<u>Enterprise:</u>	
Accounts Receivable	62,160
Accrued Interest Receivable	10
<u>Trust and Agency:</u>	
Accounts Receivable	276

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 7 – FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year.

	<u>Beginning Balance</u> <u>6/30/98</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u> <u>6/30/99</u>
Land and Improvements	\$ 219,258	\$ -0-	\$ -0-	\$ 219,258
Buildings	16,155,725	11,087	-0-	16,166,812
Furniture and Equipment	3,706,017	295,730	511,866	3,489,881
Books	424,020	-0-	-0-	424,020
Moving Vehicles	185,839	16,990	-0-	202,829
Total General Fixed Assets	<u>20,690,859</u>	<u>323,807</u>	<u>511,866</u>	<u>20,502,800</u>
Less Accumulated Depreciation	<u>(12,762,350)</u>	<u>(743,329)</u>	<u>(448,010)</u>	<u>(13,057,669)</u>
Net General Fixed Assets	<u>\$ 7,928,509</u>	<u>(\$419,522)</u>	<u>\$ 63,856</u>	<u>\$ 7,445,131</u>

The following is a summary of proprietary fund-type fixed assets at June 30, 1999.

	<u>Food</u> <u>Service</u>	<u>Adult</u> <u>Education</u>
Machinery and Equipment	\$79,407	\$26,030
Less: Accumulated Depreciation	<u>(72,912)</u>	<u>(12,036)</u>
Net Fixed Assets	<u>\$ 6,495</u>	<u>\$13,994</u>

NOTE 8 – LONG-TERM DEBT

Long-term obligations of the District as of June 30, 1999 are as follows:

	<u>Outstanding</u> <u>6/30/98</u>	<u>Additions</u>	<u>Deduction</u>	<u>Outstanding</u> <u>6/30/99</u>
Compensated Absences	\$ 700,986	\$ -0-	\$ 6,282	\$ 694,704
Capital Leases	283,794	40,931	255,676	69,049
Energy Loan Payable	1,143,468	-0-	110,000	1,033,468
Asbestos Loan Payable	<u>1,711,359</u>	<u>-0-</u>	<u>123,861</u>	<u>1,587,498</u>
Total	<u>\$3,839,607</u>	<u>\$40,931</u>	<u>\$495,819</u>	<u>\$3,384,719</u>

The retirement and severance benefits recorded above represent the noncurrent portion of the liability. The current portion has been recorded in the appropriate fund types. General Fund revenues will finance payment of most of the retirement and severance benefits.

NOTE 9 – CAPITALIZED LEASES – LESSEE DISCLOSURE

The Four County Joint Vocational School District has entered into lease agreements as lessee for financing the acquisition for photocopy, computers, office and telephone equipment.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 9 – CAPITALIZED LEASES – LESSEE DISCLOSURE, Continued

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group, in the amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 1999:

Fiscal Year <u>Ending June 30</u>	<u>General Long-Term Debt</u>
2000	\$29,692
2001	18,468
2002	15,684
2003	8,740
2004	<u>6,210</u>
Total minimum lease payments	78,794
Less: amount representing interest	<u>(9,745)</u>
Present value of future minimum lease payments	<u>\$69,049</u>

The following is an analysis of fixed assets leased under capital leases as of June 30, 1999.

	<u>General Fixed Assets</u>
Furniture & Equipment	\$209,494
Less Accumulated Depreciation	<u>(93,051)</u>
Net amount	<u>\$116,443</u>

NOTE 10 – LOANS PAYABLE

The Four County Vocational School District has two approved interest free loans and grants from EPA Assistance/U.S. Environmental Protection Agency for friable asbestos removal. This loan and grant was for asbestos removal over a three year period beginning in the summer of 1993 and ending in the summer of 1995. The loans are paid semi-annually over an eighteen year period. The loan is being paid from the Permanent Improvement fund which is classified as a Capital Project Fund Type.

During fiscal year 1997, the school district issued a 10 year \$1,300,000, note for the purpose of replacing the HVAC rooftop units under the guidelines of HB 264. This note will be repaid with general fund tax revenue.

Following is a summary of loans payable activity during fiscal 1999:

	Beginning Balance <u>6/30/98</u>	<u>Issued</u>	<u>Payment</u>	Ending Balance <u>6/30/99</u>
Asbestos Loan	\$1,711,359	\$-0-	\$123,861	\$1,587,498
Energy Loan	1,143,468	-0-	110,000	1,033,468
	<u>\$2,854,827</u>	<u>\$-0-</u>	<u>\$233,861</u>	<u>\$2,620,966</u>

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 10 - LOANS PAYABLE, Continued

Debt service requirements to pay off the loans are:

2000	\$239,861
2001	245,861
2002	252,861
2003	258,861
2004	265,861
2005-2013	1,357,661
Total	\$2,620,966

NOTE 11 - INTERFUND RECEIVABLES/PAYABLES

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
	\$168,468	
<u>General</u>		
<u>Special Revenue:</u>		
Adult Basic Education		30,000
Economic Education		1,652
Career Development		12,756
Vocational Education		42,692
Job Training		25,000
 <u>Capital Projects</u>		
Vocational Equipment		56,368
Total	\$168,468	\$168,468

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The government maintains four enterprise funds which are intended to be self-supporting through user fees charged for services. The table below reflects in a summarized format the more significant financial data relating to and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Adult Education	Special Enterprise	Total
Operating revenues	\$257,439	\$44,845	\$258,199	\$49,125	\$609,608
Operating expenses	306,795	38,090	421,892	42,958	809,735
Depreciation expense	3,597	-0-	(145)	-0-	3,452
Operating income(loss)	(49,356)	6,755	(163,693)	6,167	(200,127)
Net income (loss)	(6,444)	6,755	28,441	6,167	34,919
Operating grants	26,620	-0-	192,134	-0-	218,754
Fixed Asset Additions	-0-	-0-	-0-	-0-	-0-
Change in Accumulated Depreciation	3,597	-0-	(145)	-0-	3,452
Working capital	(12,796)	109,880	122,350	57,987	277,421
Net cash flow	(10,374)	9,654	(1,051)	9,223	7,452
Total Assets	12,960	111,080	179,382	58,329	361,751
Total Equity	(6,302)	109,880	136,345	57,987	297,910

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. In fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$156,200, \$140,100, and \$138,100, respectively. All required contributions were made prior to each of these fiscal year ends.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$691,900, \$646,500, and \$614,900, respectively. All required contributions were made prior to each of these fiscal year-ends.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 14 - POSTEMPLOYMENT BENEFITS, Continued

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teacher's Retirement Board has Statutory Authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$381,600 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$72,000 during the 1999 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,600 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from the negotiated agreement and state laws.

Sick Leave:

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1 1/4) days for each calendar month under contract. Sick leave is cumulative to two hundred (200) days for certified staff and two hundred five (205) days for support staff and administration.

Service Retirement:

Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the employee's accrued but unused sick leave days at the time of retirement based on twenty-five percent (25%) of the value of the employee's eligible accrued but unused sick leave days to a maximum of two hundred (200) days for certified staff and two hundred five (205) days for support staff and administration.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 15 – OTHER EMPLOYEE BENEFITS, Continued

Severance Pay:

Employees are eligible for severance pay after the Board officially accepts the employee's request for severance pay. Eligibility and allowance for severance pay is based on the following factors:

<u>Eligible Years of Completed Service</u>	<u>Percent of Accrued Unused Sick Leave Days Payable</u>
1 – 4 years	0%
5 – 9 years	5% of 130 days
10 – 14 years	10% of 130 days
15 years or more	25% of 130 days

Vacation Pay:

Only administrative and twelve month contract school support personnel accumulate vacation on the following factors:

School Support Personnel:

<u>Completed Service</u>	<u>Vacation Leave Payable</u>
After 1 year	10 days
7 or more years	15 days
17 or more years	20 days

Administrative Personnel have 20 days vacation leave payable.

B. HEALTH CARE BENEFITS

The school district provides employee health care benefits through membership in the Northern Buckeye Education Council (NBEC). Monthly payments are made to the NBEC for health, dental, and life insurance coverages. Vision insurance is provided through Vision Service Plan. The employees share the cost of the monthly premiums with the board.

NOTE 16 – RISK MANAGEMENT

During fiscal year 1999, the school district contracted with Nationwide Insurance for property and fleet insurance, liability insurance and inland marine coverage.

NOTE 17 – JOINT VENTURE

Northern Buckeye Education Council - the Northern Buckeye Education Council (NBEC) is a joint venture among thirty-one (31) educational entities, primarily the school districts located in Defiance, Fulton, Henry and Williams Counties. The council was organized under Chapter 167 of the Ohio Revised Code as a not-for-profit Council of Governments.

Northwest Ohio Computer Association – is a subsidiary of the Northern Buckeye Education Council and provides data processing services to the District.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 17 – JOINT VENTURE, Continued

The NBEC General Assembly consists of either the superintendent or Chief Executive Officer from each participating entity. The General Assembly appoints the Board of Directors, which governs the council. The Board consists of two (2) General Assembly representatives from each of the four (4) counties, along with the General Assembly representative from the member entity serving as fiscal agent, for the Northwest Ohio Computer Association (NWOCA).

The Joint venture was formed for the purpose of: 1) applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts through NWOCA; and 2) permit the Council to undertake cooperative programs in which some or all of the members may participate. The duties and obligations of the Council and Council members participating in each program is set forth in a written agreement for each program.

Each of the participating education entities' support NWOCA based upon a per pupil charge dependent upon the software package(s) utilized. The degree of control exercised by any participating entity is limited to representation in the General Assembly. Upon termination of NWOCA by the governing bodies, the members participating in the program would be entitled to a share of the Associations' liquidated net assets. This remaining surplus would be distributed to participating members in the proportion of the amount of the District's total share of the costs of the facilities incurred over the life of the joint venture, to the total costs incurred by all participating school districts over the life of the joint venture. To obtain financial information for NWOCA write to NBEC, Treasurer/Business Manager's Office, 22-900 State Route 34, Archbold, Ohio 43502.

In addition, the NBEC provides cooperative programs for employee health, dental, and life insurance benefits, a workers' compensation group rating program, and assists in the preparation of financial reports with its participating members. Annually, the NBEC provides estimates on the cost to run these programs for the subsequent year to each participating member of the General Assembly. The General Assembly considers the estimates and either accepts or modifies them. Upon termination of the NBEC by the governing bodies of the members participating in the program, Four County Joint Vocational School District would be entitled to a share of the NBEC's liquidated net assets. This remaining surplus would be distributed to participating members either by mutual agreement of two-thirds of the members of the joint venture, or if no agreement is reached, in the same proportion of the amount of each member's share of costs incurred and paid from those funds over the life of the joint venture, to the total costs incurred and paid from those funds by all members over the life of the joint venture. To obtain financial information for these cooperative programs write to NBEC, Treasurer/Business Manager's Office, 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 18 – GROUP PURCHASING POOL

Northern Buckeye Education Council Workers' Compensation group rating plan - The school district participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The plan is administered as a program of the Northern Buckeye Education Council. Each participating school district pays an enrollment fee.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 19 – CONTRIBUTED CAPITAL

During 1999, contributed capital in Enterprise funds changed by the following amounts:

	<u>Enterprise Fund</u>
Contributed capital, July 1	\$10,091
Contributions from governmental funds	-0-
Contributed fixed assets disposed of – net	-0-
Depreciation on fixed assets	(3,597)
Contributed capital, June 30	<u>\$ 6,494</u>

NOTE 20 – SET-ASIDES

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of July 1, 1998	\$ -0-	\$ -0-	\$37,572	\$37,572
Current Year Set-aside Requirement	148,245	148,245	74,123	370,613
Current Year Offsets	-0-	319,301	-0-	319,301
Qualifying Disbursements	<u>334,676</u>	<u>-0-</u>	<u>-0-</u>	<u>334,676</u>
Total	(<u>\$186,431</u>)	(<u>\$171,056</u>)	<u>\$111,695</u>	(<u>\$245,792</u>)
Cash Balance Carried Forward to FY 1999	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$111,695</u>	
Total Restricted Assets				<u>\$111,695</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

In the normal course of operations, the District may be subject to litigation and claims. Management is not aware of any asserted claims or any potential unasserted claims or assessments.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 21 – CONTINGENCIES, Continued

B. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. For the fiscal year ended June 30, 1999, the School District received \$3,153,200 in school foundation support for its general fund, which is approximately 32% of total revenues.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 22 – LEGAL COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, Weber • O'Brien, Ltd., CPAs, performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate. The Auditor's recommendations and citations are included in a separate report.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CASH BASIS)

<u>Federal Grantor/Pass - Through Grantor Program Titles</u>	<u>Project Number</u>	<u>CFDA Number</u>	<u>Program Award Amount</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Pass through Ohio Department of Education					
Innovative Education Program Strategy - Title VI	C2-S1-99	84.298	\$ 3,390	\$ 3,390	\$ 2,611
Adult and Community Education Grant	AB-S1-99	84.002	99,578		27,040
Vocational Education Basic Grant/Perkins	20-C198 20-C199	84.048 84.048	273,509 284,614	41,026 <u>241,922</u>	15,954 <u>245,228</u>
TOTAL DEPARTMENT OF EDUCATION				286,338	290,833
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Pass through Ohio Department of Education					
<u>Nutrition Cluster</u>					
National School Lunch Program		10.555		18,169	18,169
National School Breakfast Program		10.553		3,452	3,452
Food Distribution Program		10.550		<u>7,238</u>	<u>7,238</u>
TOTAL DEPARTMENT OF AGRICULTURE				28,859	28,859
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Pass through Ohio Department of Education					
Family Support Act - ABLE/JOBS	JB-S1-99	93.021	9,000	\$ <u>2,735</u>	\$ <u>2,610</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				2,735	2,610
<u>U.S. DEPARTMENT OF LABOR</u>					
Pass through Northwest Ohio Private Industry Council					
Job Training Partnership Act		17.998	25,000		25,000
Options 4		17.998	31,457	<u>8,091</u>	<u>-0-</u>
TOTAL DEPARTMENT OF LABOR				<u>8,091</u>	<u>25,000</u>
TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS				<u>\$326,023</u>	<u>\$347,302</u>



weber • obrien ltd.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

Board of Education
Four County Joint Vocational School District
22-900 SR 34
Archbold, OH 43502

We have audited the financial statements of Four County Joint Vocational School District, as of and for the year ended June 30, 1999, and have issued our report thereon dated November 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of Four County Vocational School District in a separate letter dated November 30, 1999.

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

Weber • O'Brien, LTD.

November 30, 1999



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

Board of Education
Four County Joint Vocational School District
22-900 SR 34
Archbold, OH 43502

Compliance

We have audited the compliance of Four County Joint Vocational School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Board of Education
Page Two

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

Webster D. Brown, LTD.

November 30, 1999

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 1999

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	__X__ no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____ yes	__X__ no
Reportable conditions(s) identified not considered to be material weaknesses?	_____ yes	__X__ none reported

Type of auditors' report issued on compliance for major programs:		<u>Unqualified</u>
---	--	--------------------

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	__X__ no
---	-----------	----------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.048	Vocational Education Basic Grant/Perkins

Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$300,000</u>
Auditee qualified as low risk auditee?	__X__ yes	_____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999

NONE

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Required Supplemental Information - Year 2000 Issue (Unaudited)

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations.

The District is aware of the year 2000 issue and has completed an inventory of computer systems and other equipment necessary to conducting District operations.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting. The State is responsible for remediating this system.

The District uses the State of Ohio Uniform Staff Payroll System Software for its payroll and employee benefits. The State is responsible for remediating this system.

The District uses the State of Ohio School Asset Account System/Equipment Inventory Subsystem software for its fixed asset inventory. The State is responsible for remediating this system.

Defiance, Fulton, Henry and Williams Counties collect real estate and personal property taxes for distribution to the District. Each of the counties is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through the Education management information System. The State is responsible for remedying these systems.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

FOUR COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
HENRY 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.

By: Susan Babbitt

Date: JAN 20 2000