

**PENTA COUNTY VOCATIONAL
SCHOOL DISTRICT**

**GENERAL-PURPOSE FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT AND
AUDITOR'S REPORTS ON INTERNAL CONTROL,
COMPLIANCE, SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND OTHER MATTERS**

JULY 1, 1998 TO JUNE 30, 1999



Reichert & Associates, CPA's

206 West Hardin Street
Findlay, Ohio 45840
419-422-6131

**PENTA COUNTY VOCATIONAL SCHOOL DISTRICT
WOOD COUNTY**

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**PENTA COUNTY VOCATIONAL SCHOOL DISTRICT
30096 Oregon Road
Perrysburg, Ohio 43551**

**ELECTED OFFICIALS AND
ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 1999**

<u>Name</u>	<u>Title</u>	<u>Term of Office or Contract Period</u>	<u>Surety</u>	<u>Amount</u>
BOARD OF EDUCATION				
Judith Sander	President	1/1/98 to 12/31/99	(A)	\$20,000
Marcia Helman	Vice President	1/1/98 to 12/31/99	-	-
Ellen Dalton	Member	1/1/98 to 12/31/99	-	-
John Kevern	Member	1/1/99 to 12/31/00	-	-
Penelope Getz	Member	1/1/98 to 12/31/99	-	-
Paul Keough	Member	1/1/99 to 12/31/00	-	-
Joseph Minarcin, Jr.	Member	1/1/98 to 12/31/99	-	-
John Hoyt	Member	1/1/99 to 12/31/00	-	-
Duane Owen	Member	1/1/99 to 12/31/00	-	-
Janet Wolff	Member	1/1/98 to 12/31/99	-	-
Betty Long	Member	1/1/99 to 12/31/00	-	-

LEGAL COUNSEL

Cooper, Walinski, and Cramer
900 Adams Street
P.O. Box 1568
Toledo, Ohio 43603

ADMINISTRATIVE PERSONNEL

Fred Susor	Superintendent	8/1/97-7/31/00	(A)	\$20,000
Carrie Herringshaw	Treasurer	1/4/98 to Organizational Meeting 2000	(A)	\$100,000

(A) Nationwide Insurance

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT
WOOD COUNTY

INDEX OF FUNDS

GOVERNMENTAL FUND TYPE:

General Fund Type:

General Fund
Special Rotary Fund
Local Grants Fund
Media Materials Fund

Special Revenue Fund Type:

Adult Education Fund
Adult Basic Literacy Education Fund
Bureau of Vocational Rehabilitation Contract Services Fund
Career Enrichment Fund
Career Education Fund
Education Management Information System (EMIS) Fund
Eisenhower Professional Development Fund
Jobs Grant Fund
Professional Development Block Grant Fund
School To Apprenticeship Grant Fund
Supplemental Educational Opportunity Grant (SEOG) Fund
Skill Center Food Service Fund
Title VI Innovative Education Fund
Tech Preparation Pilot Project Fund
UAW Ford Fund
Vocational Education Fund

Capital Projects Fund Type:

Permanent Improvements Fund

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

High School Food Service Fund
Uniform School Supplies Fund

FIDUCIARY FUND TYPE:

Trust and Agency Fund Types:

Expendable Trust Funds:

Harpster Trust Fund
Adult Education SBM
Graphics Trust Fund
Student Council Scholarship Fund
Dan Lenz Memorial Fund

Nonexpendable Trust Funds:

Hirzel Scholarship Foundation Fund

Maumee Valley Computer Association (MAVCA) External Investment Fund

Agency Funds:

Pell Grant Fund
Maumee Valley Computer Association (MAVCA) Fund
Student Activities Fund



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Board of Education
Penta County Vocational School District

We have reviewed the Independent Auditor's Report of the Penta County Vocational School District, Wood County, prepared by Reichert & Associates, CPAs, for the audit period July 1, 1998 through 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 Penta County Vocational School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

January 28, 2000

REICHERT & ASSOCIATES, CPA'S

206 West Hardin Street
Findlay, Ohio 45840
419-422-6131
Fax: 419-422-1372

INDEPENDENT AUDITOR'S REPORT

Board of Education
Penta County Vocational School District

We have audited the accompanying general-purpose financial statements of the Penta County Vocational School District as of and for the fiscal 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 general-purpose financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose 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 District, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 30, 1999 on our consideration of Penta County Vocational School District's internal controls over financial reporting and our test of its compliance with 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 Penta County 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.

November 30, 1999
Findlay, Ohio

REICHERT & ASSOCIATES, CPA'S
Certified Public Accountants

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT, OHIO
 Combined Balance Sheet
 All Fund Types and Account Groups
 For the Fiscal Year Ended June 30, 1999

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS			
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$2,176,266	\$233,823	\$6,951,415
Receivables:			
Taxes	7,874,135	0	0
Accounts	29,424	0	0
Intergovernmental	90,344	121,553	0
Accrued Interest	143,135	0	0
Interfund Receivable	121,272	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	47,998	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	291,034	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	<u>\$10,773,608</u>	<u>\$355,376</u>	<u>\$6,951,415</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS:			
LIABILITIES:			
Accounts Payable	\$260,346	\$15,784	\$40,980
Contracts Payable	0	0	0
Accrued Wages & Benefits	1,294,395	67,158	0
Compensated Absences Payable	86,608	3,879	0
Interfund Payable	0	121,272	0
Intergovernmental Payable	289,724	30,506	0
Deferred Revenue	7,287,515	0	0
Undistributed Monies	0	0	0
Total Liabilities	<u>9,218,588</u>	<u>238,599</u>	<u>40,980</u>
FUND EQUITY AND OTHER CREDITS:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Net Assets	0	0	0
Retained Earnings	0	0	0
Fund Balance:			
Reserved for Encumbrances	231,664	60,770	351,186
Reserved for Inventory	47,998	0	0
Reserved for Property Tax	410,234	0	0
Reserved for Budget Stabilization	291,034	0	0
Reserved for Scholarships	0	0	0
Unreserved, Undesignated	574,090	56,007	6,559,249
Total Fund Equity and Other Credits	<u>1,555,020</u>	<u>116,777</u>	<u>6,910,435</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$10,773,608</u>	<u>\$355,376</u>	<u>\$6,951,415</u>

See accompanying Notes to the General Purpose Financial Statements.

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$8,947	\$166,209	\$0	\$0	\$9,536,660
0	0	0	0	7,874,135
0	0	0	0	29,424
0	0	0	0	211,897
0	0	0	0	143,135
0	0	0	0	121,272
10,160	0	0	0	10,160
462	0	0	0	48,460
0	0	0	0	291,034
27,537	0	20,073,638	0	20,101,175
0	0	0	1,675,070	1,675,070
<u>\$47,106</u>	<u>\$166,209</u>	<u>\$20,073,638</u>	<u>\$1,675,070</u>	<u>\$40,042,422</u>
\$1,528	\$0	\$0	\$0	\$318,638
0	0	0	0	0
1,386	0	0	0	1,362,939
14,983	0	0	1,667,538	1,773,008
0	0	0	0	121,272
512	0	0	7,532	328,274
654	0	0	0	7,288,169
0	56,374	0	0	56,374
<u>19,063</u>	<u>56,374</u>	<u>0</u>	<u>1,675,070</u>	<u>11,248,674</u>
0	0	20,073,638	0	20,073,638
9,826	0	0	0	9,826
0	43,621	0	0	43,621
18,217	0	0	0	18,217
0	3,000	0	0	646,620
0	0	0	0	47,998
0	0	0	0	410,234
0	0	0	0	291,034
0	45,942	0	0	45,942
0	17,272	0	0	7,206,618
<u>28,043</u>	<u>109,835</u>	<u>20,073,638</u>	<u>0</u>	<u>28,793,748</u>
<u>\$47,106</u>	<u>\$166,209</u>	<u>\$20,073,638</u>	<u>\$1,675,070</u>	<u>\$40,042,422</u>

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT, OHIO
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust	
REVENUES:					
<i>Intergovernmental</i>	6,345,300	970,663	0	0	7,315,963
Interest	166,289	0	359,883	161	526,333
Tuition and Fees	0	266,621	0	0	266,621
<i>Extracurricular Activities</i>	16,017	0	0	0	16,017
Gifts and Donations	36,886	0	0	6,475	43,361
Customer Services	422,012	58,409	0	0	480,421
Property & Other Local Taxes	7,208,754	0	0	0	7,208,754
Miscellaneous	82,257	20,617	0	0	102,874
Total Revenues	14,277,515	1,316,310	359,883	6,636	15,960,344
EXPENDITURES:					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	566,994	0	0	0	566,994
Special	595,901	0	0	0	595,901
Vocational	7,069,089	268,995	0	0	7,338,084
Adult/Continuing	86,373	655,688	0	0	742,061
<i>Support Services:</i>					
Pupils	1,169,092	267,666	0	0	1,436,758
Instructional Staff	1,404,814	121,254	0	0	1,526,068
Board of Education	40,949	0	0	0	40,949
Administration	851,343	237,746	0	0	1,089,089
Fiscal	342,389	0	0	0	342,389
Operation and Maintenance of Plant	1,378,875	8,372	0	0	1,387,247
Collaboration	0	309	0	0	309
Operation of Non-Instructional	0				
Services	274,733	99,833	0	602	375,168
Capital Outlay	0	0	662,227	0	662,227
<i>Intergovernmental</i>	0	12,500	0	0	12,500
Total Expenditures	13,780,552	1,872,363	662,227	602	18,115,744
Excess of Revenues Over (Under) Expenditures	496,963	(356,053)	(302,344)	6,034	(155,400)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	210,793	223,612	550,000	0	984,405
Operating Transfers Out	984,405	0	0	0	984,405
Total Other Financing Sources (Uses)	(773,612)	223,612	550,000	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(276,649)	(132,441)	247,656	6,034	(155,400)
Fund Balances (Deficit) at Beginning of Year	1,825,175	249,218	6,662,779	3,972	8,741,144
Increase in Reserve for Inventory	6,494	0	0	0	6,494
Fund Balances at End of Year	\$1,555,020	\$116,777	\$6,910,435	\$10,006	\$8,592,238

See accompanying Notes to the General Purpose Financial Statements.

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT, OHIO
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Intergovernmental	6,388,534	6,359,007	(29,527)	1,109,957	990,171	(119,786)
Interest	190,000	246,172	56,172	0	0	0
Tuition and Fees	C	0	0	242,224	268,621	24,397
Extracurricular Activities	17,000	16,017	(983)	0	0	0
Gifts and Donations	36,855	36,886	1	0	0	0
Customer Services	443,144	399,231	(43,913)	46,030	58,409	12,379
Property & Other Local Taxes	7,404,394	7,367,181	(37,213)	0	0	0
Miscellaneous	72,609	80,452	8,443	20,617	20,617	0
Total Revenues	14,551,966	14,504,946	(47,020)	1,418,828	1,335,818	(83,010)
EXPENDITURES:						
Current:						
Instruction:						
Regular	565,227	539,837	25,390	0	0	0
Special	604,319	580,373	23,946	0	0	0
Vocational	7,340,323	7,138,385	201,938	286,539	286,526	13
Adult/Continuing	86,738	86,738	0	650,037	649,121	916
Support Services:						
Pupils	1,217,318	1,173,712	43,606	304,926	300,695	4,231
Instructional Staff	1,420,576	1,387,743	32,833	145,185	130,071	15,114
Board of Education	50,666	46,543	4,123	0	0	0
Administration	1,026,041	916,595	109,446	236,711	236,447	264
Fiscal	388,886	343,652	45,234	0	0	0
Operation and Maintenance of Plant	1,585,436	1,446,141	139,295	6,336	6,336	0
Collaboration	0	0	0	2,137	2,137	0
Operation of Non-Instructional Services	330,506	292,311	38,195	92,143	91,866	277
Capital Outlay	0	C	0	0	0	0
Total Expenditures	14,616,036	13,952,030	664,006	1,724,014	1,703,199	20,815
Excess of Revenues Over(Under) Expenditure	(64,070)	552,916	616,986	(305,186)	(367,381)	(62,195)
OTHER FINANCING SOURCES (USES):						
Refund of Prior Year Expenditures	0	6,731	6,731	0	0	0
Advances In	93,924	93,924	0	120,503	121,272	769
Advances Out	(121,280)	(121,272)	8	(93,924)	(93,924)	0
Operating Transfers In	210,793	210,793	0	223,213	223,612	399
Operating Transfers Out	(984,405)	(984,405)	0	0	0	0
Other Financing Sources	0	369	369	0	0	0
Other Financing Uses	(200,000)	0	200,000	(12,500)	(12,500)	0
Total Other Financing Sources (Uses)	(1,000,966)	(793,860)	207,108	237,292	238,460	1,168
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,065,038)	(240,944)	824,094	(67,894)	(128,921)	(61,027)
Fund Balances at Beginning of Year	2,004,151	2,004,151	0	212,540	212,540	0
Prior Year Encumbrances Appropriated	273,890	273,660	0	76,997	76,997	0
Fund Balances (Deficit) at End of Year	\$1,212,773	\$2,036,867	\$824,094	\$221,643	\$160,616	(\$61,027)

See accompanying Notes to the General Purpose Financial Statements

Capital Projects Fund			Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
0	0	0	0	0	0	7,488,491	7,349,178	(149,313)
350,000	359,883	9,883	181	161	0	540,161	606,216	66,055
0	0	0	0	0	0	242,224	266,621	24,397
0	0	0	0	0	0	17,000	16,017	(983)
0	0	0	6,475	6,475	0	43,360	43,361	1
0	0	0	0	0	0	489,174	457,640	(31,534)
0	0	0	0	0	0	7,404,394	7,387,181	(37,213)
0	0	0	0	0	0	92,626	101,069	8,443
350,000	359,883	9,883	6,636	6,636	0	16,327,430	16,207,283	(120,147)
0	0	0	0	0	0	565,227	539,837	25,390
0	0	0	0	0	0	604,319	580,373	23,946
0	0	0	0	0	0	7,626,862	7,424,911	201,951
0	0	0	0	0	0	736,775	735,859	916
200,000	0	200,000	0	0	0	1,722,244	1,474,407	247,837
0	0	0	0	0	0	1,565,761	1,517,814	47,947
0	0	0	0	0	0	50,666	46,543	4,123
0	0	0	0	0	0	1,262,752	1,153,042	109,710
0	0	0	0	0	0	388,886	343,652	45,234
0	0	0	0	0	0	1,591,772	1,452,477	139,295
0	0	0	0	0	0	2,137	2,137	0
0	0	0	602	602	0	423,251	384,779	38,472
1,376,710	1,096,786	279,924	0	0	0	1,376,710	1,096,786	279,924
1,576,710	1,096,786	479,924	602	602	0	17,917,362	16,752,617	1,164,745
(1,226,710)	(736,903)	489,807	6,034	6,034	0	(1,589,932)	(545,334)	1,044,598
0	0	0	0	0	0	0	6,731	6,731
0	0	0	0	0	0	214,427	215,196	769
0	0	0	0	0	0	(215,204)	(215,196)	8
500,000	550,000	50,000	0	0	0	934,006	984,405	50,399
0	0	0	0	0	0	(984,405)	(984,405)	0
0	0	0	0	0	0	0	369	369
0	0	0	0	0	0	(212,500)	(12,500)	200,000
500,000	550,000	50,000	0	0	0	(263,676)	(6,400)	258,276
(726,710)	(186,903)	539,807	6,034	6,034	0	(1,853,608)	(550,734)	1,302,874
6,387,853	6,387,853	0	3,972	3,972	0	8,608,516	8,608,516	0
376,710	376,710	0	0	0	0	727,367	727,367	0
\$6,037,853	\$6,577,660	\$539,807	\$10,006	\$10,006	\$0	\$7,482,275	\$8,785,149	\$1,302,874

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT, OHIO
Combined Statement of Revenues, Expenses, and Changes in Fund Equity
Proprietary Fund Type and Nonexpendable Trust Fund
For the Year Ended June 30, 1999

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum only)
OPERATING REVENUES:			
Sales	\$381,904	\$0	\$381,904
Interest	0	2,907	2,907
Gifts and Donations	0	2,020	2,020
Total Operating Revenues	381,904	4,927	386,831
OPERATING EXPENSES:			
Salaries	78,629	0	78,629
Fringe Benefits	24,750	0	24,750
Purchased Services	68,964	0	68,964
Cost of Sales	22,519	0	22,519
Depreciation	264,185	0	264,185
Other Operating Expenses	6,142	1,600	7,742
Total Operating Expenses	465,189	1,600	466,789
Operating Income (Loss)	(83,285)	3,327	(79,958)
NON-OPERATING REVENUES:			
Federal Donated Commodities	10,008	0	10,008
Operating Grants	18,992	0	18,992
Total Non-Operating Revenues	29,000	0	29,000
Net Income	(54,285)	3,327	(50,958)
Depreciation on Contributed Capital Items	1,318	0	1,318
Retained Earnings/Fund Balance at Beginning of Year	71,184	52,881	124,065
Retained Earnings at End of Year	18,217	56,208	74,425
Contributed Capital at Beginning of Year	11,144	0	11,144
Depreciation on Contributed Capital	(1,318)	0	(1,318)
Contributed Capital at End of Year	9,826	0	9,826
Total Fund Equity at End of Year	28,043	\$56,208	\$84,251

See accompanying Notes to the General Purpose Financial Statements

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT, OHIO
 Combined Statement of Cash Flows
 All Enterprise Funds and Nonexpendable Trust Fund
 For the Fiscal Year Ended June 30, 1999

	Enterprise	Nonexpendable Trust	Totals (Memorandum only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$381,903	\$0	381,903
Cash Received from Contributions and Donations	0	2,020	2,020
Cash Received from Operating Interest	0	2,907	2,907
Cash Payments to Suppliers for Goods and Services	(348,925)	0	(348,925)
Cash Payments to Employees for Services	(78,629)	0	(78,629)
Cash Payments for Employee Benefits	(21,144)	0	(21,144)
Cash Payments for Other Expenses	0	(1,600)	(1,600)
Net Cash Used for Operating Activities	(66,795)	3,327	(63,468)
Cash Flows from Noncapital Financing Activities:			
Cash Received from:			
Operating Grants	21,540	0	21,540
Net Cash Provided by Noncapital Financing Activities	21,540	0	21,540
Net Increase in Cash and Cash Equivalents	(45,255)	3,327	(41,928)
Cash and Cash Equivalents at Beginning of Year	54,202	52,881	107,083
Cash and Cash Equivalents at End of Year	\$8,947	\$56,208	\$65,155
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:			
Operating Income (Loss)	(\$83,286)	\$3,327	(79,959)
Adjustments to Reconcile Operating (Income) Loss to Net Cash Used for Operating Activities			
Depreciation	6,142	0	6,142
Donated Commodities Used During Year	10,008	0	10,008
Changes in Assets and Liabilities:	0	0	0
Decrease in Accounts Receivable	0	0	0
Decrease in Inventory Held for Resale	(498)	0	(498)
Decrease in Materials and Supplies Inventory	23	0	23
Decrease in Accounts Payable	1,068	0	1,068
Increase in Accrued Wages & Benefits	736	0	736
Increase in Compensated Absences	2,358	0	2,358
Decrease in Intergovernmental Payables	(3,346)	0	(3,346)
Net Cash Used For Operating Activities	(\$66,795)	\$3,327	(\$63,468)

NON-CASH FINANCING ACTIVITIES

The School District received donated commodities with a fair market value of \$10,008 for the fiscal year ended June 30, 1999.

Reconciliation of Nonexpendable Trust Fund Cash and Cash Equivalents to Balance Sheet:

All Fiduciary Fund Types	\$166,209
Less Expendable Trust Fund	(10,006)
Less Investment Trust Fund	(43,621)
Less Agency Funds	(56,374)
Cash and Cash Equivalents-Nonexpendable Trust	\$56,208

See accompanying Notes to the General Purpose Financial Statements.

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT, OHIO
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Budget Basis) and Actual
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Sales	\$382,354	\$381,904	(\$450)
Interest	0	0	0
Gifts and Donations	0	0	0
Total Revenues	382,354	381,904	(450)
EXPENSES:			
Salaries	78,642	78,629	13
Fringe Benefits	21,213	21,144	69
Purchased Services	69,034	68,964	70
Materials and Supplies	263,298	259,589	3,709
Capital Outlay - New	22,600	22,519	81
Other Operating Expenses	0	0	0
Total Expenses	454,787	450,845	3,942
Excess of Revenue Over (Under) Expenses	(72,433)	(68,941)	3,492
NON-OPERATING REVENUES			
Federal and State Subsidies	22,800	21,540	1,260
Total Other Financing Sources (Uses)	22,800	21,540	1,260
Excess of Revenues Over (Under) Expenses and Advances	(49,633)	(47,401)	2,232
Fund Equity at Beginning of Year	38,771	38,771	0
Prior Year Encumbrances Appropriated	15,432	15,432	0
Fund Equity at End of Year	\$4,570	\$6,802	\$2,232

See accompanying Notes to the General Purpose Financial Statements

Nonexpendable Trust Fund			Totals Memorandum Only		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$382,354	\$381,904	(\$450)
2,907	2,907	0	2,907	2,907	0
2,020	2,020	0	2,020	2,020	0
4,927	4,927	0	387,281	386,831	(\$450)
0	0	0	78,642	78,629	13
0	0	0	21,213	21,144	69
0	0	0	69,034	68,964	70
0	0	0	263,298	259,589	3,709
0	0	0	22,600	22,519	81
4,600	4,600	0	4,600	4,600	0
4,600	4,600	0	459,387	455,445	3,942
327	327	0	(72,106)	(68,614)	3,492
0	0	0	22,800	21,540	1,260
0	0	0	22,800	21,540	1,260
327	327	0	(49,306)	(47,074)	4,752
50,481	50,481	0	89,252	89,252	0
2,400	2,400	0	17,832	17,832	0
\$53,208	\$53,208	\$0	\$57,778	\$60,010	\$2,232

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT
Statement of Changes in Net Assets
External Investment Pool - MAVCA
For the Fiscal Year Ended June 30, 1999

REVENUES:	
Interest Income	\$ 10,563
EXPENSES:	
Operating Expenses	<u>0</u>
Net Increase in Assets Resulting from Operations	\$ 10,563
Disbributions to Participants	(10,563)
Capital Transactions	<u>(374,873)</u>
Total Decrease in Net Assets	(374,873)
Net Assets Beginning of Year	<u>418,494</u>
Net Assets End of Year	<u><u>43,621</u></u>

See accompanying Notes to the General Purpose Financial Statements.

**Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The first official body designated as the Penta County Vocational School Board of Education was formed on June 15, 1964. The Penta County Vocational School District (the "School District") is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school. The School District includes sixteen member schools including: Anthony Wayne Local School District (Lucas), Benton Carroll Salem Local School District (Ottawa), Bowling Green City School District, Eastwood Local School District (Wood), Elmwood Local School District (Wood), Genoa Local School District (Ottawa), Lake Local School District (Wood), Maumee City School District (Lucas), North Baltimore Local School District (Wood), Northwood Local School District (Wood), Otsego Local School District (Wood), Springfield Local School District (Lucas), Swanton Local School District (Fulton), Perrysburg Exempted Village School District (Wood), Rossford Exempted Village School District (Wood), Woodmore Local School District (Sandusky).

The School District operates under an elected eleven-member Board of Education and is responsible for the provision of public education to residents of the School District. The Board consists of one member from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg, and Rossford; one member from each of the three least populous counties: Fulton, Ottawa, and Sandusky, and two members from each of the two most populous counties: Lucas and Wood.

Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Penta County Vocational School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes.

The School District is associated with three organizations one a jointly governed organization and two insurance purchasing pools. These organizations are the Maumee Valley Computer Association (MAVCA), the Ohio School Boards Workers' Compensation Group Rating Plan, and the Wood County Schools Health Insurance Consortium. Information about these organizations is presented in Note 17 of the Notes to the General Purchase Financial Statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Penta County 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.

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 more 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 on 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 restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable 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:

Governmental funds are those through which most governmental functions of the School District are financed. 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 and trust 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 expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Fund - The capital projects fund is 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 or trust funds).

Proprietary Fund Type:

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 is the School District's proprietary fund type:

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

**Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

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. These include expendable trust, nonexpendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The nonexpendable and the MAVCA external investment trust funds are accounted for in essentially the same manner as proprietary funds. 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 liabilities related to specific funds and those of a general nature, the following account groups are used:

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

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

All enterprise, nonexpendable trust and the MAVCA external investment 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. Enterprise, nonexpendable trust and MAVCA external investment funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total 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.

The modified accrual basis of accounting is followed for the governmental fund types, 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. In applying the susceptible to accrual concept under the modified accrual basis,

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, and certain charges for services.

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 enterprise, nonexpendable trust and MAVCA external investment trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. There were no unbilled service charges receivable at year end. The fair market 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 Process

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 appropriations resolution, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations 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 primary 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 Wood County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the estimated fund balance and

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 the actual unencumbered fund balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by 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 and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation 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 amended 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 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. Expenditures plus encumbrances may not legally exceed appropriations. 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 fiscal 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 Investments

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

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, treasury notes and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$166,289.

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.

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 Ohio Department of Education. A fund balance reserve has also been established.

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 are 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 expendable 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 expensed when used.

F. 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 that fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds is computed using the straight-line method over an estimated useful life of five to twenty years.

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues 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, 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
- Vocational Equipment

Non-Reimbursable Grants

Special Revenue Funds

- Career Education
- Professional Development
- Education Management Information Systems
- School-to-Work
- Adult Basic and Literacy Education
- PIC/JTPA
- Eisenhower Math/Science
- Secondary Perkins Title II-C (Vocational Education)
- Adult Perkins Title II-C (Vocational Education)
- Full Service Center
- Ventures in Business Ownership
- Comprehensive Support Services
- Economic Education
- Title VI

Reimbursable Grants

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 31 percent of the School District's operating revenue during the 1999 fiscal year.

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

H. Interfund Assets/Liabilities

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/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.

I. 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. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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.

J. 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, compensated absences, contractually required pension and contributions 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 available expendable financial resources. Payments made more than sixty days after fiscal year end are considered not to have used the use of current available financial resources.

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

K. 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 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.

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation for expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, budget stabilization, and contributions to the nonexpendable trust fund that must be kept intact. The reserve for property taxes represents taxes

**Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided by the School District to proprietary funds and is not subject to repayment. These assets are recorded at their fair market value on the date donated.

Because the School District had not prepared financial statements in accordance with generally accepted accounting principles prior to June 30, 1991, the amount of contributed capital pertaining to years prior to 1991 cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital. At June 30, 1999, the School District had contributed capital of \$13,250.

N. Estimates

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

O. 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 1999, four funds had deficit balances. The deficits were created by the application of generally accepted accounting principles. The General Fund provides advances to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The funds with deficit balances are as follows:

<u>Fund Name</u>	<u>Amount</u>
Skill Center Food Service	\$8,269
Miscellaneous State Grants	14,454
ABLE	14,595
JTPA/School-to-Work	2,779

B. Compliance

The following fund had appropriations in excess of estimated resources for the fiscal year ended June 30, 1999:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Skill Center Food Service	78,943	92,143	(13,200)

**Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds, and as note disclosure in the proprietary fund types and nonexpendable trust funds (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(276,649)	(\$132,441)	\$247,656	\$6,034
Increases (Decreases) Due To:				
Revenue Accruals				
Accrued FY1998, received in cash FY1999	1,066,477	141,061	0	0
Accrued FY1999, not received in cash	(849,524)	(121,553)	0	0
Expenditure Accruals				
Accrued FY1998, paid in cash FY1999	(1,654,541)	(87,457)	(101,785)	0
Accrued FY1999, not yet paid in cash	1,948,651	118,096	40,980	0
Advances-In	93,924	120,503	0	0
Advances-Out	(121,272)	(93,924)	0	0
Encumbrances Outstanding At Year End (Budget Basis)	<u>(448,010)</u>	<u>(73,206)</u>	<u>(373,754)</u>	<u>0</u>
Budget Basis	<u>(\$240,944)</u>	<u>(\$128,921)</u>	<u>(\$186,903)</u>	<u>\$6,034</u>

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Net Income/Excess of Revenues Under (Over) Expenses and Advances
Proprietary Fund Type and Nonexpendable Trust Fund

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>
GAAP Basis	(\$54,285)	\$3,327
Revenue Accruals:		
Accrued FY1998, Received in Cash FY1999	2,548	
Accrued FY1999, Not Yet Received In Cash	0	0
Expenses Accruals:		
Accrued FY1998, Paid In Cash FY1999	(17,593)	0
Accrued FY1999, Not Yet Paid In Cash	18,409	(3,000)
Materials and Supplies Inventory	(475)	0
Depreciation Expense	6,142	0
Encumbrances Outstanding At Year End (Budget Basis)	<u>(2,147)</u>	<u>0</u>
Budget Basis	<u>(\$47,401)</u>	<u>\$327</u>

NOTE 5 - CASH AND CASH 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 the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

**Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time for a period not to exceed one hundred eighty days.

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

Cash on Hand At year end, the School District had \$6,920 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Purchase Agreements."

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$1,857,511 and the bank balance was \$2,058,607. Of the bank balance

1. \$258,607 was covered by federal depository insurance or surety bonds; and
2. \$1,800,000 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or the School District's agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

	Category <u>1</u>	Category <u>3</u>	Not Categorized	Carrying/Market Value
STAR Ohio	\$ 0	\$ 0	\$1,063,820	1,063,820
Repurchase Agreement	0	356,426		356,426
Commercial Paper	0	498,036		498,036
Banker's Acceptance	0	487,985		487,985
U.S. Government Agencies	<u>5,556,996</u>	<u>0</u>		<u>5,556,996</u>
Total	<u>\$5,556,996</u>	<u>\$1,342,447</u>	<u>\$1,063,820</u>	<u>\$7,963,263</u>

The federal agency securities have maturities ranging from February 2000 to May 2001. The federal agency securities have interest rates ranging from 5.12% to 5.47%.

The classification of cash and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$9,827,694	\$ 0
Cash on Hand	(6,920)	0
Investments:		
STAR Ohio	(1,063,820)	1,063,820
Repurchase Agreement	(356,426)	356,426
Commercial Paper	(498,036)	498,036
Banker's Acceptance	(487,985)	487,985
U.S. Government Agencies	<u>(5,556,996)</u>	<u>5,556,996</u>
GASB Statement No. 3	<u>\$1,857,511</u>	<u>\$7,963,263</u>

NOTE 6 - INVESTMENT POOL

By statute, the School District serves as fiscal agent for a legally separate entity. The School District pools the monies of this entity with the School District's monies for investment purposes. The School District cannot allocate its investments between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Condensed financial information for the investment pool is as follows:

Statement of Net Assets
June 30, 1999

Assets:	
Equity in Pooled Cash and Cash Equivalents	\$9,554,237
Interest Receivable	143,135
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>291,034</u>
Total Assets	<u>\$9,988,406</u>

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Net Assets Held in Trust for Pool Participants:	
Internal Portion	\$9,944,785
External Portion	<u>43,621</u>
Total Net Assets Held in Trust for Pool Participants	<u>\$9,988,406</u>

Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 1999

Revenues:	
Interest Income (GAAP Interest)	<u>\$557,380</u>
Expenses:	
Operating Expenses (Cost of Investments)	<u>0</u>
Net Increase in Assets Resulting from Operations	<u>557,380</u>
Distributions to Participants (Cash Interest)	(619,686)
Capital Transactions	<u>(63,090)</u>
Total Decrease in Net Assets	(125,396)
Net Assets Beginning of Year - Restated Note 3	<u>10,113,802</u>
Net Assets End of Year	<u>\$ 9,988,406</u>

NOTE 7 - 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 or the prior year, were levied April 1 on assessed value listed as of January 1, the lien date and are collected with real property taxes.

Assessed values for real property taxes are established by State law at 35 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 88 percent of true value (with certain exceptions) and on real property at 35 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 25 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 Fulton, Hancock, Henry, Lucas, Ottawa, Sandusky, and Wood Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by each 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.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility property 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

**Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

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 \$410,234 in the General Fund.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	<i>1998 Second Half Collections</i>		<i>1999 First Half Collections</i>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$2,886,472,560	73.19%	\$3,059,889,110	74.40%
Public Utility	526,010,230	13.34	523,626,400	12.73
Tangible Personal Property	<u>531,065,690</u>	<u>13.47</u>	<u>529,286,294</u>	<u>12.87</u>
Total Assessed Value	<u>\$3,943,548,480</u>	<u>100.00%</u>	<u>\$4,112,801,804</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$2.00		\$2.00

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent and student fees), intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of grade cards. A summary of the principle items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
State/Local Funds	<u>\$90,344</u>
Total General Fund	<u>90,344</u>
Special Revenue Fund	
Adult Education-State Funds	26,862
Career Education-Grants Funds	15,764
PIC/JTPA-Grant Funds	11,095
Vocational Education-Grant Funds	<u>67,832</u>
Total Special Revenue Funds	<u>121,553</u>
Total Intergovernmental Receivable	<u>\$211,897</u>

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Machinery and Equipment	\$127,020
Less Accumulated Depreciation	<u>(99,483)</u>
Fixed Assets Net of Accumulated Depreciation	<u>\$27,537</u>

**Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

A summary of the changes in general fixed assets during fiscal year 1999 is as follows:

	<u>Balance at</u> <u>6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/99</u>
Land and Improvements	\$670,120	12,589	0	\$682,709
Buildings	13,040,577	307,996	0	13,348,573
Furniture and Equipment	5,348,207	415,394	325,922	5,437,679
Vehicles	<u>443,651</u>	<u>237,371</u>	<u>76,345</u>	<u>604,677</u>
Totals	<u>\$19,502,555</u>	<u>\$973,350</u>	<u>\$402,267</u>	<u>\$20,073,638</u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Utica National Insurance Group for property, fleet and inland marine coverage and with Nationwide Insurance for liability insurance.

Coverages provided by Utica National Insurance Group are as follows:

Building and Contents-Replacement Cost (\$1,000 deductible)	\$40,647,757
Inland Marine Coverage (\$500 deductible)	25,000
Mechanical Breakdown-Limit of Coverage (\$1,000 deductible)	10,000,000
Crime Coverage	50,000
Electronic Data Processing (\$100 Equipment, Data/Media & \$1,000 Mechanical deductibles)	2,400,653
Garage keepers Coverage (\$250 Comprehensive/\$1,000 Maximum per Occurrence Deductibles)	100,000
Commercial Liability	
General Aggregate Limit	2,000,000
Products-Completed Operations Aggregate Limit	2,000,000
Personal & Advertising Injury Limit	1,000,000
Each Occurrence Limit	1,000,000
Fire Damage	50,000
Medical Expense	5,000
Business Automobile	
(\$100 Comprehensive/\$250 Collision Deductibles)	
Combined Single Limit of Liability for Bodily Injury and Property Damage	1,000,000
Uninsured and Underinsured Motorists	1,000,000
Medical Payments	5,000

**Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999**

Umbrella Coverage

Limit of Liability Coverage (Over and Above General Liability, School Leader's E&O and Auto)	5,000,000
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Coverages provided by Nationwide Insurance are as follows:

General Liability

Per Occurrence	2,000,000
Aggregate	5,000,000

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. Provides administrative, cost control and actuarial services to the Plan.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Penta County Vocational School District contributes to the School Employees Retirement System of Ohio

(SERS), a cost-sharing multiple employer defined pension benefit plan. SERS provides retirement and disability benefits annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The 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 Penta County Vocational School District is required to contribute at an actuarially determined rate. The current School District 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. For 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 a statutory maximum amount, by the SERS Retirement Board. The School District's contribution for pension obligations to SERS for the years ending June 30, 1999, 1998, and 1997, were \$197,947, \$188,747, and \$188,250, respectively; 91.80 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$16,203 is recorded as a liability within respective funds and in the general long term obligations account group.

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

B. State Teachers Retirement System

The Penta County Vocational School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits 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 for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio, 43215-3771.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. 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 contribution for pension obligations to STRS for the years ending June 30, 1999, 1998 and 1997 were \$1,108,874, \$1,095,900 and \$990,906, respectively; 91.90 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1998, in the amount of \$84,398 is recorded as a liability within respective funds.

C. Social Security Tax

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, four board of education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - 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 funded on a pay-as-you-go basis.

The State Teachers 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 the health care cost in the form of a monthly premium. By Ohio law, the cost of the 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 \$633,642 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998 (the latest information available), the balance in the Fund was \$2,156 million. 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 years of qualifying service credit, and to 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 the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$101,106.

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 (the latest information available), were \$111,900,575 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. 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 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrative support staff earn ten to twenty days of vacation per year, depending upon length of service. Administrators (supervisors, directors, superintendent and treasurer) earn twenty one days of vacation per year. Accumulated, unused vacation time is paid upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred sixty days for teachers, administrators and administrative support staff, and two hundred fifty days for classified employees. Upon retirement, a severance payment is made which is equal to compensation of one fourth of accrued, but unused sick leave credit to a maximum of sixty six and one-fourth days for teachers, administrators and administrative support staff, and sixty two and one-half days for classified employees.

B. Health Care Benefits

The School District offers life insurance and accidental death and dismemberment insurance to most employees through CoreSource. The School District has elected to offer employee medical/surgical and dental benefits through the Wood County Schools Health Insurance Consortium, administered by CoreSource. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on the terms of the union contract.

NOTE 14 - INTERFUND TRANSACTIONS

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

<u>Interfund Receivables/Payables</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$121,272</u>	\$0
Special Revenue Funds:		
Career Education	0	15,764
School-to-Work		45,833
ABLE	0	16,872
PIC/JTPA Grant		6,242
Vocational Education	<u>0</u>	<u>65,606</u>
Total Special Revenue	<u>0</u>	<u>121,272</u>
Total	<u>\$121,272</u>	<u>\$121,272</u>

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Penta County Vocational School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$315,933	\$65,971	\$381,904
Operating Expenses			
Less Depreciation	392,007	67,040	459,047
Depreciation Expense	6,142	0	6,142
Operating Income (Loss)	(82,216)	(1,069)	(83,285)
Donated Commodities	10,008	0	10,008
Operating Grants	18,992	0	18,992
Net Income (Loss)	(53,216)	(1,069)	(54,285)
Net Working Capital	(5,696)	6,202	506
Total Assets	39,376	7,730	47,106
Total Equity	20,772	7,271	28,043
Encumbrances Outstanding at June 30, 1998	\$549	\$1,598	\$2,147

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Computer Association

Through December 31, 1998, the School District was a participant in the Maumee Valley Computer Association (MAVCA), a computer consortium. MAVCA was an association of seventeen educational entities, primarily school districts, located in Lucas and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. MAVCA was governed by its participating members which consisted of a representative from each member entity and a representative from the fiscal agent. On June 19, 1998, the Governing Assembly of MAVCA voted to dissolve the organization effective no later than June 30, 1999. Member districts elected to participate in other computer consortiums within northwest Ohio. At June 30, 1999, the agency fund still exists with assets of \$43,621 which represents non-public school funds that will be used to pay their telephone line expenses until those lines are connected to other computer consortiums. Financial information may be obtained from MAVCA, Carrie J. Herringshaw, Fiscal Agent Treasurer, at 30095 Oregon Road, Perrysburg Ohio 43551-4594.

Northwest Ohio Computer Association

Beginning January 1, 1999, the School District became a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The NWOCA Assembly consists of the superintendent from each participating school district. The assembly elects a Council which consists of two representatives from each county. The degree of control exercised by any participating school district is limited to its representation on the Council. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry and Williams Counties. Action taken by members of the NBEC in 1998 expanded membership to schools in Lucas and Wood Counties. NBEC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 17 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Wood County Schools Health Insurance Consortium

The Wood County Schools Health Insurance Consortium (the Consortium) is a public entity shared risk pool consisting of six local school districts, three city or exempted village school districts, one vocational school district, and the educational service center. The Consortium is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and other benefits to the employees of the participating entities. Dental benefits are provided to the consortium through an insurance purchasing pool. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington National Bank, concerning aspects of the Consortium.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information may be obtained from Elaine Shafley, CoreSource, PO Box 6118, Westerville, Ohio, 43081-1014.

NOTE 18 - LONG-TERM OBLIGATIONS

The change during fiscal year 1999 in the School District's compensated absences liability reported in the GLTOAG was an increase of \$184,071 from \$1,483,467 to \$1,667,538. Intergovernmental payables increased \$628 from \$6,904 to \$7,532. Compensated absences and intergovernmental payables will be paid from the fund from which the employees' salaries are paid.

NOTE 19 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

The School District has several continuing contracts with construction contractors. Of the total amounts authorized by the Board of Education, the following amounts remain unspent from the Capital Projects Fund, as of June 30, 1999:

<u>Vendor</u>	<u>Original Contract</u>	<u>Expended to Date</u>	<u>Balance Remaining</u>
Armstrong Mechanical Services	\$ 56,990	0	56,990
A.W. Edwards Electric	50,815	0	50,815
Comte Construction	25,225	0	25,225

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Mondo Mechanical	4,530	0	4,530
Northshore Services	43,000	0	43,000
Spieker Company	<u>128,700</u>	<u>0</u>	<u>128,700</u>
Totals	<u>\$309,260</u>	<u>\$ 0</u>	<u>\$309,260</u>

NOTE 20 - OPERATING LEASES

The School District has entered into operating lease agreements for copiers. The agreements are, in substance, rental agreements (operating leases), and are classified as operating lease rental payments in the financial statements. The following summarizes future minimum lease payments under the operating leases at June 30, 1999:

<u>Fiscal Year Ending</u>	<u>Payments</u>
2000	\$31,392
2001	27,359
2002	24,452
2003	17,250

NOTE 21 - SCHOOL FOUNDATION PROGRAM

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 Ohio General Assembly 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. During the fiscal year ended June 30, 1999, the School District received \$5,167,085 of school foundation support for its general fund.

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.

NOTE 22 - SET-ASIDE REQUIREMENTS

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 1999:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$80,241	\$80,241
Current Year Set-Aside Requirements	247,111	247,111	123,555	617,777
Current Year Offsets	0	0	0	0
Additional Set-Aside	0	0	87,238	87,238
Qualifying Disbursements	<u>(247,111)</u>	<u>(247,111)</u>	<u>0</u>	<u>(494,222)</u>
Balance June 30, 1999	<u>\$0</u>	<u>\$0</u>	<u>\$291,034</u>	<u>\$291,034</u>
Total Restricted Assets				<u>\$291,034</u>

Penta County Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 23 - YEAR 2000

The School District has completed an inventory of mission-critical computer and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the Ohio Department of Education's Management Information Systems (EMIS)).

The School District uses the Ohio Department of Education Uniform School Accounting Systems for its financial reporting and the Uniform School Payroll System for its payroll and benefits. The Ohio Department of Education is responsible for remediating these systems.

The Ohio Department of Education distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the state processes a significant amount of financial and non-financial information about the School District through EMIS. The Ohio Department of Education is responsible for remediating these systems.

The school district also owns school buildings with efficient power and heating systems. The school district has received certifications from various vendors and the systems are Year 2000 compliant.

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

NOTE 24 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, 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 as of June 30, 1999.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT
WOOD COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Grantor Number	Program or Award Amount
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
Ventures in Business Ownership	84.048	VESP-VBO99	41,000
Ventures in Business Ownership	84.048	VESP-VBO98	39,000
Comprehensive Support Services FY99	84.048	VESP-CS99	20,000
Ad. Voc. Full Service Center	84.048	VEAFSC-99	20,000
Ad. Voc. Full Service Center	84.048	VEAFSC-98	17,000
VEA-II Funds (Secondary)	84.048	CP II-S99	314,205
VEA-II Funds (Adult)	84.048	CP II-A99	47,010
VEA-II Funds (Secondary)	84.048	CP II-S98	303,054
VEA-II Funds (Adult)	84.048	CP II-A98	67,646
Total			
Adult Basic Education - FY 1999	84.002	AB-S1-99	77,071
Adult Basic Education - FY 1998	84.002	AB-S1-98	75,882
Total			
Title VI-Innovative Ed.- FY 1998	84.298	C2-S1-98	5,657
Title VI-Innovative Ed.- FY 1999	84.298	C2-S1-99	6,040
Total			
Math/Science Subsidy - FY 1998	84.281	MS-S1-98	3,463
Math/Science Subsidy - FY 1999	84.281	MS-S1-99	3,463
Total			
Supplemental. Ed Opportunity Grant	84.007		4,567
Pell Grant	84.049	1340946365AI	59,463
TOTAL - Department of Education			
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
* Food Distribution (Commodities)	10.550 (Nutrition Cluster)		-
National School Lunch Program	10.555 (Nutrition Cluster)		-
TOTAL - Department of Agriculture			
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through State Department of Health and Human Services</i>			
Job Contract	93.561		-
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through Toledo Private Industry Council</i>			
Job Training Partnership Act	17.249		73,000
TOTAL FEDERAL ASSISTANCE			

<u>CASH</u> <u>BALANCE</u> <u>7/1/98</u>	<u>RECEIPTS</u>	<u>ADVANCE</u> <u>IN (OUT)</u>	<u>DISBURSEMENTS</u>	<u>CASH</u> <u>BALANCE</u> <u>6/30/99</u>
\$ -	\$ 34,850	6,150	\$ 36,415	\$ 4,585
4,603	5,807	(5,807)	4,603	-
-	15,300	2,228	17,528	-
-	17,000	3,000	19,800	200
6,826	3,000	(1,006)	6,826	1,994
-	267,074	34,631	271,662	30,043
-	39,959	7,052	45,331	1,680
24,909	45,458	(45,458)	24,909	-
<u>5,381</u>	<u>7,512</u>	<u>(7,512)</u>	<u>5,381</u>	<u>-</u>
41,719	435,960	(6,722)	432,455	38,502
-	40,323	-	40,323	-
-	<u>28,477</u>	<u>(6,516)</u>	<u>21,961</u>	<u>-</u>
-	68,800	(6,516)	62,284	-
3,918	-	-	1,468	2,450
-	<u>6,040</u>	<u>-</u>	<u>2,751</u>	<u>3,289</u>
<u>3,918</u>	6,040	-	4,219	5,739
3,463	-	-	333	3,130
-	<u>3,898</u>	<u>-</u>	<u>-</u>	<u>3,898</u>
<u>3,463</u>	3,898	-	333	7,028
-	<u>4,567</u>	<u>-</u>	<u>4,565</u>	<u>-</u>
<u>130</u>	<u>68,997</u>	<u>-</u>	<u>69,087</u>	<u>40</u>
49,230	588,262	(13,238)	572,945	51,309
-	10,213	-	10,213	-
-	<u>30,774</u>	<u>-</u>	<u>30,774</u>	<u>-</u>
-	40,987	-	40,987	-
<u>30910</u>	<u>-</u>	<u>-</u>	<u>12,771</u>	<u>18,139</u>
-	<u>44,162</u>	<u>-</u>	<u>44,162</u>	<u>-</u>
<u>\$80,140</u>	<u>\$673,411</u>	<u>\$(13,238)</u>	<u>\$670,865</u>	<u>\$69,448</u>

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
SUPPLEMENTAL SCHEDULE**

**ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL, TITLE II
FOR THE YEAR ENDING, JUNE 30, 1999**

<u>CONTRACT NUMBER/COST CENTER</u>	<u>ALLOCATION</u>	<u>ADMINISTRATION MAXIMUM 20%</u>	<u>DIRECT TRAINING MINIMUM 50%</u>	<u>TRAINING RELATED & SUPPORTIVE SERVICES MAXIMUM 30%</u>
Contract 105-28-98:	\$73,000	\$600	\$51,339	\$21,061
Expenditures:				
Expenditures 7/1/98 to 6/30/99	<u>44,162</u>	<u>600</u>	<u>41,220</u>	<u>2,342</u>
Unexpended Funds	<u>\$28,838</u>	<u>\$ -</u>	<u>\$10,119</u>	<u>\$18,719</u>
Percentage of Allocation	39.51%	100%	19.71 %	88.88%

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
SUPPLEMENTAL SCHEDULE**

**SCHEDULE OF VARIANCES
FOR THE YEAR ENDING, JUNE 30, 1999**

<u>TITLE II</u>	<u>PRIVATE INDUSTRY COUNCIL</u>	<u>AUDIT REPORT</u>	<u>VARIANCES</u>
105-28-98	\$44,162	\$44,162	\$ -

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(1) Scope of Audit:

The Penta County Vocational School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Penta County Vocational School is a local school district created under provisions of Section 3311.03 of the Ohio Revised Code. The district is operated under an elected board of education consisting of five members. The school district provides public education to residents of the district.

The district received a significant amount of Federal Program funds from the United States Department of Education pass-through the Ohio Department of Education, the U. S. Department of Agriculture pass-through the Ohio Department of Education, and the U. S. Department of Agriculture.

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 1999.

(2) Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards has been prepared in conformity with requirements of Circular A-133 which requires that at least expenditures be shown in the schedule. The schedule has been prepared on the cash basis of accounting, except expenditures of assistance passed through the Toledo Private Industry Council Job Training Partnership Programs are presented on an accrual basis.

Some Federal Revenue was received on a reimbursement basis. Expenditures were commingled with other fund monies and could not be segregated by source. An assumption was made that federal expenditures, therefore, equaled federal receipts. Certain Federal Programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

REICHERT & ASSOCIATES, CPA'S

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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
Penta County Vocational School District

We have audited the financial statements of Penta County Vocational School District as of and for the fiscal 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 Penta County Vocational School 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 Penta County Vocational School 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. However, we noted certain matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement could adversely affect Penta County Vocational School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 99-1 and 99-2.

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 in a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting over financial reporting that might be material weaknesses. We noted two matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. These are described in the Schedule of Findings as items 99-1 and 99-2. Also we noted other matters involving the internal control over financial reporting that we have reported to management of Penta County Vocational School District in a separate letter dated November 30, 1999.

This report is intended for the information of the audit committee, management 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.

November 30, 1999
Findlay, Ohio

--- - REICHERT & ASSOCIATES, CPA'S
CERTIFIED PUBLIC ACCOUNTANTS

REICHERT & ASSOCIATES, CPA'S

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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
Penta County Vocational School District

Compliance

We have audited the compliance of Penta County 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 fiscal year ended June 30, 1999. Penta County Vocational School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility Penta County Vocational School 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 Penta County Vocational School 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 Penta County Vocational School District's compliance with those requirements.

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

Internal Control Over Compliance

The management of Penta County Vocational School 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 Penta County Vocational School 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 the 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.

This report is intended for the information of the audit committee, management 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.

November 30, 1999
Findlay, Ohio

REICHERT & ASSOCIATES, CPA'S
CERTIFIED PUBLIC ACCOUNTANTS

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Vocational Education CFDA#84.048
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Findings 99-1 Material Weakness

Adult Education Accounts Receivable System

Our review of the Adult Education Accounts Receivable internal controls established by the department disclosed the following:

No reconciliation process has been performed by the department over tuition billings, collections, adjustments and accounts receivable on a monthly basis.

No approvals were obtained for adjustments made to the student accounts for dropping courses, correction of errors or bad debt write-offs.

The department has no policy dealing with write-off of uncollectible accounts.

No written policies involving segregation of duties have been established by the department between the procedures of preparing the monthly tuition bills, collection of tuition payments, deposits, or the recording of payments and updating the master files.

These weaknesses could result in errors or irregularities in the tuition billing and collection process going undetected by management. Cash can be taken and not be discovered.

99-2 Material Weakness

Central Stores

Internal controls policies and procedures are not preventing losses that have occurred for the last three years in the Central Stores. The losses appear to be for three reasons:

1. Lack of security of the inventory itself
2. Incorrect inventory value (Wrong prices and wrong counts).
3. Lack of any trend analysis during the year so corrections can be made..

The following is an analysis of the central stores operations for the last three years:

	<u>FY99</u>	<u>FY 98</u>	<u>FY 97</u>
Sales with some markup	\$45,057	\$44,907	\$48,004
Cost of Sales:			
Beginning Balance	37,911	52,424	41,652
Purchases	53,835	46,846	64,539
Ending Inventory Balance per audit not adjusted	<u>(42,940)</u>	<u>(37,911)</u>	<u>(52,424)</u>
	58,902	61,359	53,767
Gross Margin	<u>\$(13,845)</u>	<u>(\$16,452)</u>	<u>(\$ 5,763)</u>

We compared cost of items to inventory prices and found that estimates were used this year compared to actual shown on invoices in June. Some examples:

<u>Item</u>	<u>Actual Cost</u>	<u>Inventory Price</u>
92274A Printer Cartridge	\$64.98	\$75.00
92275A Printer Cartridge	78.96	85.00
92291A Printer Cartridge	104.99	115.00
92295A Printer Cartridge	67.98	75.00
92298A Printer Cartridge	84.96	90.00
Starburst Paper	7.91	7.00
Deskjet 40A Printer Cartridge	24.88	32.00
Deskjet 40M Printer Cartridge	27.96	35.00
Deskjet 40 Y	27.96	35.00
Color 41 A	27.96	75.00
51645A	24.88	35.00
51649A	28.44	35.00

We recommend that a monthly inventory be taken until the central store fund (011-9502) is breaking even. Since inventory is affecting gross margin, we recommend a morning and afternoon inventory be taken, so the inventory value can be compared can be depended on. Also trend analysis can then be made on a monthly basis, instead of an annual analysis.

We recommend actual cost be used for inventory cost purposes by using June invoices or calling vendors. We also recommend an inventory with columns that describes each item, stock number as shown above , actual cost, count and the total amount.

Finally, we recommend a study be made whether the central stores should continue operating, as internal controls do not seem to be working.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT

**STATUS OF PRIOR AUDIT'S
FINDINGS, CITATIONS, RECOMMENDATIONS AND QUESTIONED COSTS**

The prior audit report for the period ending June 30, 1998 did not include any citations or reportable conditions that were considered material weaknesses. Management letter recommendations were made, however, and in most cases were not corrected. Two of the recommendations made last year are considered this year as reportable conditions that are materials weaknesses.

Findings For Recovery:

None Issued

<u>Reportable Condition:</u>	<u>Status</u>	<u>Explanation if not fully Implemented</u>
None	N/A	N/A
<u>Citations:</u>		
None	N/A	N/A



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

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Facsimile 614-466-4490

PENTA COUNTY VOCATIONAL SCHOOL DISTRICT
WOOD 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: FEBRUARY 10, 2000