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AUDITOR OF STATE

STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Joint Vocational School District
Jefferson County
1509 County Highway 22A
Bloomington, Ohio 43910

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Joint Vocational School District, Jefferson County, (the District) as of and for the year ended June 30, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Joint Vocational School District, Jefferson County, as of June 30, 2002 and the results of its operations and the cash flows of its proprietary fund types for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is not a required part of the general-purpose financial statements. We subjected this information to 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 10, 2002

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JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AT JUNE 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$200,741	\$38,869	\$70,426
Cash and Cash Equivalents with Fiscal Agents			
Receivables:			
Property and Other Taxes	1,788,352		112,377
Intergovernmental		58,749	17,159
Interfund	189,202		
Materials and Supplies Inventory	1,600		
Inventory Held for Resale			
Prepaid Items	58,677	2,827	
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	17,604		
Fixed Assets (Net, where applicable, of Accumulated Depreciation)			
 <u>Other Debits:</u>			
Amount to be Provided from General Government Resources			
	<u>2,256,176</u>	<u>100,445</u>	<u>199,962</u>
Total Assets and Other Debits			
<u>Liabilities Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	24,179	255	136
Accrued Wages and Benefits	271,401	24,942	
Compensated Absences Payable	24,800		
Interfund Payable		62,100	127,102
Intergovernmental Payable	45,819	4,070	
Deferred Revenue	1,309,269	58,749	129,536
Due to Students			
Claims Payable			
Long-Term Pension Liability			
Total Liabilities	<u>1,675,468</u>	<u>150,116</u>	<u>256,774</u>
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved (Deficit)			
Fund Balance:			
Reserved for Encumbrances	11,008	23,946	4,851
Reserved for Inventory	1,600		
Reserved for Property Taxes	479,083		
Reserved for Budget Stabilization	17,604		
Unreserved:			
Designated	81,222		
Undesignated (Deficit)	<u>(9,809)</u>	<u>(73,617)</u>	<u>(61,663)</u>
Total Fund Equity and Other Credits	<u>580,708</u>	<u>(49,671)</u>	<u>(56,812)</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,256,176</u>	<u>\$100,445</u>	<u>\$199,962</u>

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$5,971		\$22,732			\$338,739
	\$ 228,595				228,595
					1,900,729
					75,908
					189,202
2,367					1,600
1,087					2,367
					62,591
					17,604
10,259			\$ 7,838,366		7,848,625
				\$ 241,708	241,708
19,684	228,595	22,732	7,838,366	241,708	10,907,668
-	-	-	-	-	24,570
5,549					301,892
1,879				239,047	265,726
					189,202
7,866					57,755
		22,732			1,497,554
	78,324				22,732
					78,324
				2,661	2,661
15,294	78,324	22,732		241,708	2,440,416
			7,838,366		7,838,366
117,690					117,690
(113,300)	150,271				36,971
					39,805
					1,600
					479,083
					17,604
					81,222
					(145,089)
4,390	150,271	0	7,838,366		8,467,252
19,684	228,595	22,732	7,838,366	241,708	10,907,668

JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
Property and Other Taxes	\$1,406,149		\$69,663	\$1,475,812
Intergovernmental	2,015,217	\$353,955	60,384	2,429,556
Interest	12,478			12,478
Tuition and Fees	63,565			63,565
Extracurricular Activities		7,939		7,939
Gifts and Donations		1,500		1,500
Miscellaneous	22,005			22,005
Total Revenues	3,519,414	363,394	130,047	4,012,855
Expenditures:				
Current:				
Instruction:				
Regular	354,846			354,846
Special	115,609			115,609
Vocational	2,094,405	256,083		2,350,488
Support Services:				
Pupils	98,043	65,157		163,200
Instructional Staff	205,086	43,051		248,137
Board of Education	29,207			29,207
Administration	157,640	8,583		166,223
Fiscal	180,274			180,274
Operation and Maintenance of Plant	450,419	11,315		461,734
Pupil Transportation	3,045			3,045
Central	21,321	11,535		32,856
Capital Outlay			278,238	278,238
Debt Service:				
Principal Retirement			54,000	54,000
Interest and Fiscal Charges			1,890	1,890
Total Expenditures	3,709,895	395,724	334,128	4,439,747
Excess of Revenues Under Expenditures	(190,481)	(32,330)	(204,081)	(426,892)
Other Financing Sources (Uses):				
Proceeds From Sale of Fixed Assets	52			52
Operating Transfers In		7,467	55,890	63,357
Operating Transfers Out	(70,016)	(612)		(70,628)
Total Other Financing Sources (Uses)	(69,964)	6,855	55,890	(7,219)
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(260,445)	(25,475)	(148,191)	(434,111)
Fund Balances (Deficits) at Beginning of Year	843,114	(24,196)	91,379	910,297
Decrease in Reserve for Inventory	(1,961)			(1,961)
Fund Balances (Deficits) at End of Year	\$580,708	(\$49,671)	(\$56,812)	\$474,225

The notes to the general purpose financial statements are an integral part of this statement.

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JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>						
Property and Other Taxes	\$1,489,742	\$1,489,742				
Intergovernmental	2,028,542	2,028,542		\$353,955	\$353,955	
Interest	12,478	12,478				
Tuition and Fees	63,565	63,565				
Extracurricular Activities				7,939	7,939	
Gifts and Donations				1,500	1,500	
Miscellaneous	21,732	22,005	\$273			
Total Revenues	3,616,059	3,616,332	273	363,394	363,394	
<i>Expenditures:</i>						
Current:						
Instruction:						
Regular	372,139	342,898	29,241			
Special	115,061	115,035	26			
Vocational	2,101,892	2,099,159	2,733	252,494	280,327	(\$27,833)
Support Services:						
Pupils	98,751	98,744	7	71,354	64,770	6,584
Instructional Staff	213,354	212,915	439	47,096	43,051	4,045
Board of Education	34,191	34,037	154			
Administration	147,083	146,603	480	8,350	8,891	(541)
Fiscal	183,489	183,472	17			
Operation and Maintenance of Plant	453,129	453,123	6	4,355	11,315	(6,960)
Pupil Transportation	3,045	3,045				
Central	21,321	21,321		4,500	11,535	(7,035)
Capital Outlay						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	3,743,455	3,710,352	33,103	388,149	419,889	(31,740)
Excess of Revenues Under Expenditures	(127,396)	(94,020)	33,376	(24,755)	(56,495)	(31,740)
<i>Other Financing Sources (Uses):</i>						
Proceeds from Sale of Fixed Assets	51	52	1			
Operating Transfers In	88,086		(88,086)	7,467	7,467	
Operating Transfers Out	(181,818)	(70,016)	111,802		(612)	(612)
Advances In	139,106	92,912	(46,194)	58,308	58,308	
Advances Out	(60,000)	(185,410)	(125,410)	(50,455)	(51,001)	(546)
Total Other Financing Sources (Uses)	(14,575)	(162,462)	(147,887)	15,320	14,162	(1,158)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(141,971)	(256,482)	(114,511)	(9,435)	(42,333)	(32,898)
Fund Balances at Beginning of Year	436,621	436,621		36,914	36,914	
Prior Year Encumbrances Appropriated	15,611	15,611		20,174	20,174	
Fund Balances at End of Year	\$310,261	\$195,750	(\$114,511)	\$47,653	\$14,755	(\$32,898)

The notes to the general purpose financial statements are an integral part of this statement.

Debt Service Fund			Capital Projects Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$112,129	\$112,129		\$1,601,871	\$1,601,871	\$0
			60,384	60,384		2,442,881	2,442,881	0
						12,478	12,478	0
						63,565	63,565	0
						7,939	7,939	0
						1,500	1,500	0
						21,732	22,005	273
			172,513	172,513		4,151,966	4,152,239	273
						372,139	342,898	29,241
						115,061	115,035	26
						2,354,386	2,379,486	(25,100)
						170,105	163,514	6,591
						260,450	255,966	4,484
						34,191	34,037	154
						155,433	155,494	(61)
						183,489	183,472	17
						457,484	464,438	(6,954)
						3,045	3,045	0
						25,821	32,856	(7,035)
			236,883	283,089	(\$46,206)	236,883	283,089	(46,206)
\$54,000	\$54,000					54,000	54,000	0
1,890	1,890					1,890	1,890	0
55,890	55,890		236,883	283,089	(46,206)	4,424,377	4,469,220	(44,843)
(55,890)	(55,890)		(64,370)	(110,576)	(46,206)	(272,411)	(316,981)	(44,570)
55,890	55,890					51	52	1
						151,443	63,357	(88,086)
						(181,818)	(70,628)	111,190
			127,102	127,102		324,516	278,322	(46,194)
				(41,911)	(41,911)	(110,455)	(278,322)	(167,867)
55,890	55,890		127,102	85,191	(41,911)	183,737	(7,219)	(190,956)
			62,732	(25,385)	(88,117)	(88,674)	(324,200)	(235,526)
			78,909	78,909		552,444	552,444	0
			11,915	11,915		47,700	47,700	0
			\$153,556	\$65,439	(\$88,117)	\$511,470	\$275,944	(\$235,526)

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<i><u>Operating Revenues:</u></i>			
Sales	\$62,893		\$62,893
Tuition	14,956		14,956
Charges for Services		\$586,168	586,168
<i>Total Revenues</i>	<u>77,849</u>	<u>586,168</u>	<u>664,017</u>
<i><u>Operating Expenses:</u></i>			
Salaries and Wages	61,913		61,913
Fringe Benefits	25,895		25,895
Purchased Services	3,204	56,845	60,049
Materials and Supplies	20,499		20,499
Cost of Sales	34,483		34,483
Depreciation	1,070		1,070
Claims		465,627	465,627
<i>Total Operating Expenses</i>	<u>147,064</u>	<u>522,472</u>	<u>669,536</u>
Operating Income (Loss)	<u>(69,215)</u>	<u>63,696</u>	<u>(5,519)</u>
<i><u>Non-Operating Revenues :</u></i>			
Federal Donated Commodities	3,872		3,872
Interest		8,470	8,470
Operating Grants	53,385		53,385
<i>Total Non-Operating Revenues</i>	<u>57,257</u>	<u>8,470</u>	<u>65,727</u>
Net Income (Loss) Before Operating Transfers In	(11,958)	72,166	60,208
Operating Transfers In	7,271		7,271
Net Income (Loss)	<u>(4,687)</u>	<u>72,166</u>	<u>67,479</u>
Retained Earnings (Deficit) at Beginning of Year	(108,613)	78,105	(30,508)
Retained Earnings (Deficit) at End of Year	(113,300)	150,271	36,971
Contributed Capital at Beginning and End of Year	117,690		117,690
Total Fund Equity at End of Year	<u>\$4,390</u>	<u>\$150,271</u>	<u>\$154,661</u>

The notes to the general purpose financial statements are an integral part of this statement.

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JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>			
Sales	\$62,893	\$62,893	
Tuition	14,956	14,956	
Interest Income			
Operating Grants	53,385	53,385	
Charges for Service			
<i>Total Revenues</i>	<u>131,234</u>	<u>131,234</u>	
<i>Expenses:</i>			
Salaries and Wages	60,109	60,108	\$1
Fringe Benefits	24,806	24,806	
Purchased Services	3,397	3,204	193
Materials and Supplies	56,606	54,560	2,046
<i>Total Expenses</i>	<u>144,918</u>	<u>142,678</u>	<u>2,240</u>
Excess of Revenues Over (Under) Expenses	(13,684)	(11,444)	2,240
Transfer In	7,271	7,271	
Excess of Revenues and Transfers in Over (Under) Expenses	(6,413)	(4,173)	2,240
Fund Equity at Beginning of Year	<u>7,889</u>	<u>7,889</u>	
Fund Equity at End of Year	<u>\$1,476</u>	<u>\$3,716</u>	<u>\$2,240</u>

The notes to the general purpose financial statements are an integral part of this statement.

Internal Service Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$62,893	\$62,893	
			14,956	14,956	
\$8,194	\$8,470	\$276	8,194	8,470	\$276
582,095	586,168	4,073	582,095	586,168	4,073
590,289	594,638	4,349	668,138	672,487	4,349
			60,109	60,108	1
32,518	450,392	(417,874)	57,324	475,198	(417,874)
450,392	56,845	393,547	453,789	60,049	393,740
			56,606	54,560	2,046
482,910	507,237	(24,327)	627,828	649,915	(22,087)
107,379	87,401	(19,978)	40,310	22,572	(17,738)
			7,271	7,271	
107,379	87,401	(19,978)	47,581	29,843	(17,738)
141,194	141,194		149,083	149,083	
\$248,573	\$228,595	(\$19,978)	\$196,664	\$178,926	(\$17,738)

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise	Internal Service	Total (Memorandum Only)
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>			
<u><i>Cash Flows from Operating Activities:</i></u>			
Cash Received from Sales	\$62,893		\$62,893
Cash Received from Tuition	14,956		14,956
Cash Received from Quasi-External Transactions with Other Funds		\$586,168	586,168
Cash Payments for Goods and Services	(55,509)	(56,845)	(112,354)
Cash Payments for Employee Services	(60,108)		(60,108)
Cash Payments for Employee Benefits	(24,806)		(24,806)
Cash Payments for Claims	0	(450,392)	(450,392)
Net Cash Used by Operating Activities	(62,574)	78,931	16,357
<u><i>Cash Flows from Noncapital Financing Activities:</i></u>			
Operating Grants Received	53,385		53,385
Operating Transfer In	7,271		7,271
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>60,656</u>		<u>60,656</u>
<u><i>Cash Flows from Investing Activities:</i></u>			
Interest		8,470	8,470
<i>Net Cash Provided by Investing Activities</i>		<u>8,470</u>	<u>8,470</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,918)	87,401	85,483
Cash and Cash Equivalents at Beginning of Year	7,889	141,194	149,083
Cash and Cash Equivalents at End of Year	<u>\$5,971</u>	<u>\$228,595</u>	<u>\$234,566</u>
 <i>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</i>			
Operating Income (Loss)	(\$69,215)	\$63,696	(\$5,519)
<u><i>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:</i></u>			
Depreciation	1,070		1,070
Donated Commodities Received During Year	3,872		3,872
<u><i>Changes in Assets and Liabilities:</i></u>			
Increase in Inventory Held for Resale	(1,547)		(1,547)
Decrease in Materials and Supply Inventory	352		352
Increase in Prepays	(172)		(172)
Decrease in Compensated Absences Payable	(233)		(233)
Increase in Intergovernmental Payable	1,494		1,494
Increase in Accrued Wages Payable	1,805		1,805
Increase in Claims Payable	0	15,235	15,235
<i>Total Adjustments</i>	<u>6,641</u>	<u>15,235</u>	<u>21,876</u>
Net Cash Used by Operating Activities	<u>(\$62,574)</u>	<u>\$78,931</u>	<u>\$16,357</u>

Noncash Operating Activities

Federal Donated Commodities in the amount of \$3,872 were received during the year and recorded as revenue.

The notes to the general purpose financial statements are an integral part of this statement.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Jefferson County Joint Vocational School District (the School District), is a joint vocational school district as defined by Section 331.18 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 Jefferson County Joint Vocational School District includes five member schools throughout Jefferson County.

The School District operates under a nine member Board of Education and is responsible for the provision of public education to residents of the school district. The Board of Education consists of three members of the Jefferson County Educational Resource Center, two members of the Steubenville City School District and one member of Toronto City, Indian Creek Local, Buckeye Local and Edison Local School Districts.

The Jefferson County Board of Education was the sponsoring Board of Education initiating the Jefferson County Joint Vocational School District. The initial meeting of the Jefferson County Joint Vocational School District Board was held on May 6, 1970. Three levy attempts failed in 1970, 1971, and 1972. A special levy was placed on the ballot in July 1972 and passed.

Ground breaking occurred on January 26, 1974. September, 1975 the Jefferson County Joint Vocational School District opened with 375 students and 15 programs. The first senior class completed their programs in June of 1977. Currently, the School District is staffed by 20 non-certificated employees and 46 certificated personnel who provide services to 346 students and other community members.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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 Jefferson County Joint Vocational School, this includes general operations, food service, adult education 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 organization's 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. No separate government units meet the criteria for inclusion as a component unit.

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) and the Ohio School Boards Association Workers' Compensation Group Rating Program, which are defined as a jointly governed organization and an insurance purchasing pool. These organizations are presented in Notes 16 and 17.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Jefferson County Joint Vocational School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The 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.

1. 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.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

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

2. 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 types:

Enterprise Funds

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

Internal Service Funds

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

3. Fiduciary Fund Types:

Fiduciary fund types are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary fund includes an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. 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:

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary 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 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.

Proprietary 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. The enterprise funds operating statements present increases (e.g., revenues) and decreases (e.g., 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 and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations on an accrual basis. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 7)

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

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 appropriation 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 legal level of budgetary control is at the object level. 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 and are intended to be repaid.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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 Jefferson County Budget Commission for rate determination.

2. 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 projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time final appropriations were passed by the Board of Education.

3. 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 is legally enacted by the Board of Education at the fund, function and object levels of expenditures, which is the legal level 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. The treasurer allocates the Board's appropriation to the function and object level.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year, including all supplemental appropriations.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

4. 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 at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. 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 Cash Equivalents

Cash balances of the School District's funds are pooled and invested in short-term investments in order to provide improved cash management. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The School District has a segregated bank account for monies held separate from the School District's central bank account. This account is maintained by the District's self-insurance third party administrator and is presented in the combined balance sheet as "cash and cash equivalents with fiscal agents." During fiscal year 2002, investments were limited to Star Ohio and repurchase agreements, which are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio Statutes, the Board of Education may, by resolution, specify the funds to receive an allocation of interest earnings. During fiscal year 2002, all investment earnings were credited to the general fund except those specifically related to the self insurance internal service fund. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$12,478, which includes \$604 assigned from other School District funds.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for the unspent workers' compensation monies. See Note 18 for additional information regarding set-asides.

F. Estimates

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

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as 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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Fixed Assets and Depreciation

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

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, special termination benefits and contractually required pension 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 year-end are considered not to have been paid with current financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by proprietary fund operations are reported as liabilities in the appropriate proprietary funds.

M. Interfund Transactions

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

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents unspent workers' compensation money.

O. Fund Designations

The School District has a fund balance designation on the balance sheet in the General fund that represents money set-aside by the Board of Education for budget stabilization.

P. Contributed Capital

Contributed capital is recorded in proprietary funds that have received contributions from other funds, other governments, and private sources prior to fiscal year 2002. When capital contributions are received, the receipt will be recorded as revenues and are reported as increases in retained earnings based on new guidelines established by GASB 33, "Accounting and Reporting for Nonexchange Transactions."

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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.

3. FUND DEFICITS

At June 30, 2002, the following funds had deficit fund balances:

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Perkins	\$60,593
Miscellaneous Federal Grants	3,786
Capital Projects Fund:	
Vocational Education Equipment	126,677

The deficit balances were created by the application of Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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 and Actual (Budget Basis) All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) Proprietary Fund Type 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 as note disclosure in the proprietary fund type (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).

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$260,445)	(\$25,475)	\$0	(\$148,191)
Revenue Accruals	96,918	0	0	42,466
Allocated Revenue	0	0	55,890	(55,890)
Expenditure Accruals	13,908	(958)	0	136
Principal Payment	0	0	(54,000)	54,000
Interest and Fiscal Charges	0	0	(1,890)	1,890
Prepaid Items	10,191	907	0	0
Material/Supply Inventory	(1,961)	0	0	0
Advances	(92,498)	7,307	0	85,191
Encumbrances	(22,595)	(24,114)	0	(4,987)
Budget Basis	<u>(\$256,482)</u>	<u>(\$42,333)</u>	<u>\$0</u>	<u>(\$25,385)</u>

**Net Income (Loss)/Excess of Revenues and Transfers In Over
(Under) Expenses Proprietary Fund Types**

	Enterprise	Internal Service
GAAP Basis	(\$4,687)	\$72,166
Revenue Accrual	(\$3,872)	\$0
Expense Accrual	5,322	15,235
Materials and Supplies Inventory	(352)	0
Inventory Held for Resale	429	0
Prepays	172	0
Depreciation Expense	1,070	0
Encumbrances	(2,255)	0
Budget Basis	<u>(\$4,173)</u>	<u>\$87,401</u>

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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 School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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 States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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;

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. CASH AND CASH EQUIVALENTS (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either the two highest rating classification by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon 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.

At June 30, 2002, the School District's internal service fund had a balance of \$228,595 with OME-RESA, a jointly governed organization (See Note 16). The money is held by the claims services in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Debra Campana, who serves as Treasurer, Steubenville, Ohio 43695.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$143,820) and the bank balance was \$83,244. The bank balance was covered by federal depository insurance and collateralized by securities held by the pledging financial institutions' trust department in the school district's name and all State statutory requirements for the deposit of money had been followed.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party'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 counter party, 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.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. CASH AND CASH EQUIVALENTS (Continued)

	<u>Category 3</u>	<u>Unclassified</u>	<u>Carrying and Fair Value</u>
Repurchase Agreement	\$327,901	\$0	\$327,901
STAR Ohio	0	172,262	172,262
Total	<u>\$327,901</u>	<u>\$172,262</u>	<u>\$500,163</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$356,343	\$0
Investments:		
Repurchase Agreements	(327,901)	327,901
STAR Ohio	<u>(172,262)</u>	<u>172,262</u>
GASB Statement 3	<u>(\$143,820)</u>	<u>\$500,163</u>

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 property taxes are levied after April 1, 2002 on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2002 on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second Half Collections		2002 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$705,508,360	55.44%	\$708,401,300	68.69%
Public Utility Personal	413,251,040	32.47%	322,044,314	31.23%
Tangible Personal	153,888,685	12.09%	865,140	0.08%
	<u>\$1,272,648,085</u>	<u>100.00%</u>	<u>\$1,031,310,754</u>	<u>100.00%</u>

Tax Rate per \$1,000 of assessed valuation	\$1.50	\$1.50
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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 Jefferson, Harrison, Carroll and Belmont Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance to the general fund, at June 30, 2002 was \$479,083 and is recognized as revenue. At June 30, 2001, \$562,676 was available to the general fund.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
E-Rate	\$2,059
Perkins	56,690
Total Special Revenue Funds	<u>58,749</u>
Capital Projects Fund:	
Vocational Education	17,159
Total Capital Projects Fund	<u>17,159</u>
Total Intergovernmental Receivables	<u><u>\$75,908</u></u>

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$123,675
Less Accumulated Depreciation	(113,416)
Net Fixed Assets	<u><u>\$10,259</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$146,786	\$0	\$0	\$146,786
Buildings and Improvements	4,592,755	22,038	0	4,614,793
Furniture, Fixtures and Equipment	2,831,260	194,933	0	3,026,193
Vehicles	50,594	0	0	50,594
Infrastructure	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u><u>\$7,621,395</u></u>	<u><u>\$216,971</u></u>	<u><u>\$0</u></u>	<u><u>\$7,838,366</u></u>

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002 the School District contracted with Nationwide Insurance Company and Harcum-Hyer Insurance for property fleet and liability insurance. Coverage's provided are as follows:

A. Property and Liability

Building and Contents-replacement cost (\$1,000 deductible)	\$11,048,800
Inland Marine Coverage (\$100 deductible)	1,000,000
Boiler and Machinery (\$1,000 deductible)	No limit
Crime Insurance	1,000,000
Automotive Liability (\$500 deductible)	1,000,000
Uninsured Motorist (\$250 deductible)	1,000,000
General Liability:	
Per Occurance	2,000,000
Total Per Year	4,000,000
School Boards Error and Ommision	1,000,000
Per Occurance	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Worker's Compensation

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP 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 GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRPs selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. RISK MANAGEMENT (Continued)

C. Employee Medical Benefits

Medical/surgical and dental insurance is offered to employees through a self insurance internal service fund. The School District is a member of a claims servicing pool, Ohio Mid Eastern Region Educational Service Agency in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$78,324 reported in the internal service fund at June 30, 2002 as based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the year are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2001	\$71,786	\$555,322	\$564,019	\$63,089
2002	\$63,089	\$465,627	\$450,392	\$78,324

10. DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$24,863, \$19,060 and \$18,645 respectively; 97.3 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$671 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic 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, stand-alone financial report that includes financial statements and required supplementary information for STRS. That 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, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$167,010, \$239,274 and \$110,028, respectively; 85.8 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$27,514 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. 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-certificated 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.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$92,143 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$48,378.

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 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and non-certified 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 230 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Outstanding 6/30/01	Additions	Deductions	Outstanding 6/30/02
Cosmetology Lab Renovation Loan	54,000	0	54,000	0
Compensated Absences	266,912	239,047	266,912	239,047
Pension Obligation	4,105	2,661	4,105	2,661
Total General Long-Term Obligations	\$325,017	\$241,708	\$325,017	\$241,708

The capital projects fund loan was paid in full during the fiscal year.

Compensated absences and the long-term pension obligation, which represents contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

14. INTERFUND ACTIVITY

As of June 30, 2002 receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$189,202	\$0
Special Revenue Funds:		
Perkins	0	57,204
Chapter I	0	1,104
Miscellaneous Federal Grants	0	3,792
Total Special Revenue Funds	0	62,100
Capital Projects Fund		
Vocational Education	0	127,102
Total Capital Projects Fund	0	127,102
Total All Funds	\$189,202	\$189,202

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three 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 Jefferson County Joint Vocational School as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$55,825	\$7,068	\$14,956	\$77,849
Depreciation Expense	1,070	0	0	1,070
Operating Loss	(50,250)	(486)	(18,479)	(69,215)
Donated Commodities	3,872	0	0	3,872
Operating Grants	45,009	0	8,376	53,385
Transfers In	0	0	7,271	7,271
Net Loss	(1,369)	(486)	(2,832)	(4,687)
Net Working Capital	(8,288)	3,382	(558)	(5,464)
Total Assets	15,898	3,382	404	19,684
Total Equity	1,565	3,382	(557)	4,390
Encumbrances Outstanding at June 30, 2002	2,255	0	0	2,255

16. JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Educational Service Agency - The School District is a participant in the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) which is a computer consortium. OME-RESA is an association of public school districts within the boundaries of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of OME-RESA is selected by the member districts. OME-RESA possesses its own budgeting, appropriating, contracting and designating management. In fiscal year 2002, the School District contributed \$9,352 to the Agency. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so choose; however, the requirement is no longer mandatory. In addition any money on hand in a school district's budget reserve set-asides as of April 10, 2001, may at the discretion of the board be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers Compensation monies remaining in the budget reserve set-aside. During fiscal year 2002, the Board voted to maintain the reserve consisting only of refunds from the Bureau of Workers Compensation.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2001	\$8,597	\$0	\$17,604
Current year set-aside requirement	43,710	43,710	0
Qualifying Disbursements	<u>(101,046)</u>	<u>(144,464)</u>	<u>0</u>
Totals	<u>(\$48,739)</u>	<u>(\$100,754)</u>	<u>\$17,604</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$48,739)</u>	<u>\$0</u>	<u></u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$17,604</u>

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. This amount may be carried forward to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$17,604.

The Board of Education has passed a resolution to leave all monies collected for the budget stabilization in the reserve account thus creating a fund designation of \$81,222.

19. CONTINGENCIES

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

20. STATE SCHOOL FUNDING

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

1. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
2. Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

20. STATE SCHOOL FUNDING (Continued)

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted request for the for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU-02	10.550		\$3,872		\$3,673
National School Lunch Program	04-PU-02	10.555	\$42,969		\$42,969	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>42,969</u>	<u>3,872</u>	<u>42,969</u>	<u>3,673</u>
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Vocational Education - Basic Grants to States	01 02	84.048	44,199 203,246		27,442 234,336	
Total Vocational Education			<u>247,445</u>		<u>261,778</u>	
Eisenhower Professional Development State Grant Title II Part B	MS-S1-02	84.281	896			
Innovative Education Program Strategies	FY 00 FY 01 FY 02	84.298			1,316 1,425	
Total Innovative Education Programs			<u>512</u>		<u>2,741</u>	
Technology Literacy Challenge Grant	FY 02	84.318	9,000		9,000	
Total U.S. Department of Education			<u>257,853</u>		<u>273,519</u>	
U.S. Department of Labor						
<i>Passed through Ohio Department of Education</i>						
Employment Services and Job Training Pilot Program		17.249	14,319		20,840	
Total Federal Awards			<u>\$315,141</u>	<u>\$3,872</u>	<u>\$337,328</u>	<u>\$3,673</u>

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

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
JUNE 30, 2002**

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Expenditures (the schedule) summarizes activity of the District's Federal Award Programs. The schedule has been prepared using the cash basis of accounting.

2. FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Joint Vocational School District
Jefferson County
1509 County Highway 22A
Bloomington, Ohio 43910

To the Board of Education:

We have audited the financial statements of the Joint Vocational School District, (the District), Jefferson County, as of and for the year ended June 30, 2002 and have issued our report thereon dated December 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Joint Vocational School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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*. However, we noted certain matters of noncompliance that do not require inclusion in the report that we have reported to the management of the District in a separate letter dated December 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Joint 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 10, 2002.

This report is intended for the information and use of the audit committee, management, the Board of Education, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 10, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Joint Vocational School District
Jefferson County
1509 County Highway 22A
Bloomington, Ohio 43910

To the Board of Education:

Compliance

We have audited the compliance of the Joint Vocational School District, (the District), Jefferson County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grant applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Joint 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 the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Joint Vocational School District
Jefferson County
Report of Independent Accountants on Compliance with Requirements
Applicable to Major Federal Programs and 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 of the internal controls that might be material weaknesses. A material weaknesses is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, 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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 10, 2002

**JOINT VOCATIONAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

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)?	NO
<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):	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**

None	
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None	
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OFFICE OF THE AUDITOR

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JEFFERSON JOINT VOCATIONAL SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2003**