



**Auditor of State  
Betty Montgomery**



**JEFFERSON COUNTY JOINT  
VOCATIONAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County Joint Vocational School District, Jefferson County, Ohio (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Jefferson County Joint Vocational School District, Jefferson County, Ohio as of June 30, 2004, and the respective changes in financial position and the respective cash flows, where applicable, and the applicable budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2005, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 11, 2005

## **Jefferson County Joint Vocational School District**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

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The discussion and analysis of the Jefferson County Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2004 are as follows:

- In total, net assets decreased \$570,969.
- General revenues accounted for \$2,992,334 in revenue or 65 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$1,645,260 or 35 percent of total revenues of \$4,637,594.
- Total assets of governmental activities increased \$68,567 primarily due to the increase in capital assets associated with the heating/air conditioning project.
- The School District had \$5,208,563 in expenses related to governmental activities; only \$1,645,260 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$2,992,334 were not adequate to provide for these programs.
- The School District has one major fund, the General Fund. The General Fund had \$4,067,345 in revenues and \$4,230,415 in expenditures. The General Fund's balance decreased \$209,934.

### **Using this Annual Financial Report**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

### ***Reporting the School District as a Whole***

#### *Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, how did we do financially during fiscal year 2004?" The

**Jefferson County Joint Vocational School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

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Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, food service operations and debt service operations.

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.



**Jefferson County Joint Vocational School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current and Other Assets	\$2,368,223	\$2,291,292
Capital Assets	2,909,986	2,918,350
<b>Total Assets</b>	<b>5,278,209</b>	<b>5,209,642</b>
<b>Liabilities</b>		
Long-Term Liabilities	423,593	227,048
Other Liabilities	2,195,246	1,752,255
<b>Total Liabilities</b>	<b>2,618,839</b>	<b>1,979,303</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	2,768,105	2,918,350
Restricted	90,754	43,591
Unrestricted	(199,489)	268,398
<b>Total Net Assets</b>	<b>\$2,659,370</b>	<b>\$3,230,339</b>

Total assets increased \$68,567. The increase was primarily due to the increase in current and other assets - assets held for resale for a housing development project that the carpentry class began during fiscal year 2004. Capital assets also increased due to a heating and ventilating project, but was offset by depreciation expense on all capital assets.

Total liabilities increased \$639,536. The primary cause for this increase was a result of the School District issuing a Tax Anticipation Note for the heating and ventilating project and for the housing development project, as well as increased liabilities for claims payable and slight increases in other liabilities.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year Jefferson County Joint Vocational School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Jefferson County Joint Vocational School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities 2004</b>
<b>Revenues</b>	
Program Revenues	
Charges for Services	\$291,320
Operating Grants and Contributions	1,343,508
Capital Grants and Contributions	10,432
Total Program Revenues	1,645,260
General Revenues	
Property Taxes	1,580,141
Grants and Entitlements not Restricted to Specific Programs	1,404,112
Investments	2,593
Other	5,488
Total General Revenues	2,992,334
<b>Total Revenues</b>	<b>4,637,594</b>
 <b>Program Expenses</b>	
Instruction	
Regular	280,119
Special	194,056
Vocational	2,968,863
Adult/Continuing	11,589
Support Services	
Pupil	178,207
Instructional Staff	308,909
Board of Education, Administration, and Fiscal	476,050
Operation and Maintenance of Plant	651,401
Central	31,339
Food Service Operations	104,519
Interest and Fiscal Charges	3,511
<b>Total Expenses</b>	<b>5,208,563</b>
<b>Decrease in Net Assets</b>	<b>(\$570,969)</b>

In 2004, 34 percent of the School District's revenues were from property taxes and 30 percent were from unrestricted grants and entitlements. Program revenues accounted for 35 percent of the School District's revenues in fiscal year 2004. These revenues consist of customer sales, tuition and fees, charges for providing lunches to students, grants for specified purposes, and contributions and donations.

**Jefferson County Joint Vocational School District**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

Instructional programs comprise approximately 66 percent of total governmental program expenses. Of the instructional expenses, approximately 8 percent is for regular instruction, 6 percent for special instruction, 86 percent for vocational and adult/continuing instruction.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements. Comparisons to 2003 have not been made since they are not available.

**Table 3**  
**Governmental Activities**

	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>
Instruction		
Regular	\$280,119	\$280,119
Special	194,056	(13,058)
Vocational	2,968,863	1,764,092
Adult/Continuing	11,589	4,361
Support Services		
Pupil	178,207	159,064
Instructional Staff	308,909	268,744
Board of Education, Administration and Fiscal	476,050	454,665
Operation and Maintenance of Plant	651,401	641,125
Central	31,339	1,589
Food Service Operations	104,519	(909)
Interest and Fiscal Charges	3,511	3,511
<b>Total Expenses</b>	<u><u>\$5,208,563</u></u>	<u><u>\$3,563,303</u></u>

The School District's program revenue provides approximately 32 percent of the total cost of services, while the dependence upon tax revenues and state and federal subsidies for governmental activities is apparent, as 57 percent of expenses are supported through taxes and other general revenues.

**The School District Funds**

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,743,729 and expenditures of \$5,048,241. As apparent, the School District's expenditures exceeded revenues during the fiscal year.

**Jefferson County Joint Vocational School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

***General Fund Budgeting Highlights***

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

During the course of fiscal 2004 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and final budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2004 the School District had \$2,909,986 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
Land	\$89,646	\$95,000
Land Improvements	69,472	75,360
Buildings and Improvements	2,128,881	2,050,938
Furniture and Equipment	616,008	689,172
Vehicles	5,979	7,880
Totals	\$2,909,986	\$2,918,350

See note 10 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2004, the School District had \$141,881 in tax anticipation notes outstanding.

**Table 5**  
**Outstanding Debt at Fiscal Year End**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
2004 Tax Anticipation Notes	\$209,119	\$0

**Jefferson County Joint Vocational School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

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See Note 16 for more information regarding debt.

**Economic Factors**

The Jefferson County Vocational School's core curriculum for the "trade" industry was impacted greatly by the State's requirement of increased academic classes. This made it virtually impossible to continue to build houses off site because of time restraints.

The planning of the Breezewood Manor Subdivision started in 1997 and was fully implemented by 2003. Five parcels of land were subdivided and declared no longer needed for any school purpose and authorized for sale at public auction in accordance with the provisions of O.R.C. 3313.41.

A major expense to implement the project was the development of the subdivision. Completing the excavation and building a road to meet specifications for the township to assume responsibility for future upkeep and care, and installing county water and sewer, plus providing electrical service that meets all development requirements established by the Planning Commission was close to \$290,000. Since it was known early on to be a long- term project, debt was issued over a five- year period, however this is to be seen as an investment because the sale of houses will eventually pay the debt. This project was not designed to be "for profit" and not in competition with construction trades.

Actively participating in the subdivision project besides the Carpentry students, were students from Electrical Trades, HVAC, CADD, and Power Mechanics programs. In fact, as many as 100 students have been involved in the project.

As a result of the subdivision, some expenses have decreased, i.e., the operation of a school bus to transport students to a work site is no longer needed. This project has been a good recruiting tool for the "trade" classes, resulting in an increase in enrollment.

It is a fact, the quality of the program has improved due to increased time on task; greater pride demonstrated in workmanship continually on display, due to the proximity of the development to the school; and knowing future JVS students would have a benchmark by which to build an even better house next door.

In 2003, the Board of Education took a major step in building improvements by contracting with Combustion Service and Equipment Company to install a fully integrated building automation system for heating and air conditioning. This system allows for the temperature in every room to be controlled by a central computer located in the building. This replaces a system that was installed when the building was built over 30 years ago.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Karen Spoonmore, Treasurer/CFO at Jefferson County Joint Vocational School District, 1509 County Highway 22A, Bloomingdale, Ohio 43910.

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**Jefferson County Joint Vocational School District**  
*Statement of Net Assets*  
*June 30, 2004*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$531,641
Cash and Cash Equivalents with Fiscal Agent	56,137
Accounts Receivable	291
Prepaid Items	64,861
Materials and Supplies Inventory	7,854
Asset Held for Resale	60,078
Property Taxes Receivable	1,647,361
Non-Depreciable Capital Assets	89,646
Depreciable Capital Assets, Net	2,820,340
<i>Total Assets</i>	5,278,209
<b>Liabilities</b>	
Accounts Payable	11,180
Accrued Wages and Benefits Payable	408,493
Intergovernmental Payable	98,929
Claims Payable	81,913
Deferred Revenue	1,385,612
Notes Payable	209,119
Long-Term Liabilities:	
Due Within One Year	45,045
Due In More Than One Year	378,548
<i>Total Liabilities</i>	2,618,839
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,768,105
Restricted for:	
Capital Projects	64,418
Other Purposes	26,336
Unrestricted (Deficit)	(199,489)
<i>Total Net Assets</i>	\$2,659,370

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction:				
Regular	\$280,119	\$0	\$0	\$0
Special	194,056	0	207,114	0
Vocational	2,968,863	193,504	1,011,267	0
Adult/Continuing	11,589	111	7,117	0
Support Services:				
Pupil	178,207	0	19,143	0
Instructional Staff	308,909	14,311	25,854	0
Board of Education	40,251	0	0	0
Administration	199,117	21,087	142	0
Fiscal	236,682	0	0	156
Operation and Maintenance of Plant	651,401	0	0	10,276
Central	31,339	0	29,750	0
Food Service Operations	104,519	62,307	43,121	0
Interest and Fiscal Charges	3,511	0	0	0
<i>Total Governmental Activities</i>	<u>\$5,208,563</u>	<u>\$291,320</u>	<u>\$1,343,508</u>	<u>\$10,432</u>

**General Revenues**

Property Taxes Levied for General Purposes  
Property Taxes Levied for Capital Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year - See Note 3*

*Net Assets End of Year*

See accompanying notes to the basic financial statements.



Net (Expense)  
Revenue and Changes  
in Net Assets

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Governmental  
Activities

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(\$280,119)  
13,058  
(1,764,092)  
(4,361)

(159,064)  
(268,744)  
(40,251)  
(177,888)  
(236,526)  
(641,125)  
(1,589)  
909  
(3,511)

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(3,563,303)

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1,469,687  
110,454  
1,404,112  
2,593  
5,488

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2,992,334

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(570,969)

3,230,339

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\$2,659,370

**Jefferson County Joint Vocational School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$424,863	\$89,174	\$514,037
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	17,604	0	17,604
Receivables:			
Property Taxes	1,533,996	113,365	1,647,361
Accounts	291	0	291
Prepaid Items	63,785	1,076	64,861
Assets Held for Resale	60,078	0	60,078
Materials and Supplies Inventory	1,986	5,868	7,854
<i>Total Assets</i>	<u>\$2,102,603</u>	<u>\$209,483</u>	<u>\$2,312,086</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$9,005	\$2,175	\$11,180
Accrued Wages and Benefits	388,233	20,260	408,493
Intergovernmental Payable	83,252	6,905	90,157
Notes Payable	209,119	0	209,119
Deferred Revenue	1,443,270	106,536	1,549,806
<i>Total Liabilities</i>	<u>2,132,879</u>	<u>135,876</u>	<u>2,268,755</u>
<b>Fund Balances (Deficit)</b>			
Reserved for Encumbrances	19,772	35,677	55,449
Reserved for Property Taxes	90,726	6,829	97,555
Reserved for Budget Stabilization	17,604	0	17,604
Unreserved, Undesignated, Reported in:			
General Fund	(158,378)	0	(158,378)
Special Revenue Funds	0	19,597	19,597
Capital Projects Funds	0	11,504	11,504
<i>Total Fund Balances</i>	<u>(30,276)</u>	<u>73,607</u>	<u>43,331</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,102,603</u>	<u>\$209,483</u>	<u>\$2,312,086</u>

See accompanying notes to the basic financial statements.

**Jefferson County Joint Vocational School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2004*

<b>Total Governmental Fund Balances</b>		\$43,331
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>		
Capital assets used in governmental activities are not financial resources and therefore are deferred in the funds.		2,909,986
Other long-term assets, including property taxes, are not available to pay for current period expenditures and therefore are deferred in the funds.		164,194
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(25,776)
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available resources, and therefore, are not reported in the funds.		(8,772)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds:		
Notes Payable	141,881	
Compensated Absences	281,712	
Total		(423,593)
<i>Net Assets of Governmental Activities</i>		\$2,659,370

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$1,316,832	\$99,115	\$1,415,947
Intergovernmental	2,673,399	473,489	3,146,888
Interest	1,708		1,708
Tuition and Fees	64,627	14,422	79,049
Extracurricular Activities		24,851	24,851
Contributions and Donations	5,000	2,200	7,200
Charges for Services	291	62,307	62,598
Miscellaneous	5,488		5,488
<i>Total Revenues</i>	<u>4,067,345</u>	<u>676,384</u>	<u>4,743,729</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	270,533		270,533
Special	189,226		189,226
Vocational	2,428,158	295,759	2,723,917
Adult/Continuing		9,353	9,353
Support Services:			
Pupil	150,287	19,836	170,123
Instructional Staff	229,471	47,369	276,840
Board of Education	40,251		40,251
Administration	159,074	21,119	180,193
Fiscal	220,184	3,867	224,051
Operation and Maintenance of Plant	538,842	255,519	794,361
Central	2,282	29,057	31,339
Food Service Operations		100,543	100,543
Debt Service:			
Principal Retirement		34,000	34,000
Interest and Fiscal Charges	2,107	1,404	3,511
<i>Total Expenditures</i>	<u>4,230,415</u>	<u>817,826</u>	<u>5,048,241</u>
<i>Excess of Revenues Under Expenditures</i>	(163,070)	(141,442)	(304,512)
<b>Other Financing Sources (Uses)</b>			
Tax Anticipation Notes Issued		175,881	175,881
Transfers In		46,864	46,864
Transfers Out	(46,864)		(46,864)
Total Other Financing Sources (Uses)	<u>(46,864)</u>	<u>222,745</u>	<u>175,881</u>
<i>Net Change in Fund Balances</i>	(209,934)	81,303	(128,631)
<i>Fund Balances (Deficit) Beginning of Year - Restated (Note 3)</i>	<u>179,658</u>	<u>(7,696)</u>	<u>171,962</u>
<b><i>Fund Balances (Deficit) End of Year</i></b>	<b><u>(\$30,276)</u></b>	<b><u>\$73,607</u></b>	<b><u>\$43,331</u></b>

See accompanying notes to the basic financial statements.

**Jefferson County Joint Vocational School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2004*

**Net Change in Fund Balances - Total Governmental Funds** (\$128,631)

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

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

Capital Outlay	222,492	
Depreciation	<u>(225,502)</u>	
Total		(3,010)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. Since there were no proceeds, this is the amount of the net loss on the disposal of capital assets.

(5,354)

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

Grants	(46,380)	
Property Taxes	<u>(60,640)</u>	
Total		(107,020)

Repayment of principal on notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

34,000

Tax anticipation notes issued are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets

(175,881)

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payables, which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Intergovernmental Payable	(1,476)	
Compensated Absences Payable	<u>(54,664)</u>	
Total		(56,140)

The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenditures of the internal service fund are allocated among governmental activities.

(128,933)

*Changes in Net Assets of Governmental Activities*

**(\$570,969)**

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2004*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Property Taxes	\$1,461,332	\$1,434,543	\$1,434,543	\$0
Intergovernmental	2,723,822	2,673,398	2,673,399	1
Interest	1,800	1,800	1,708	(92)
Tuition and Fees	66,203	64,628	64,627	(1)
Contributions and Donations	5,000	5,000	5,000	0
Miscellaneous	7,341	7,341	7,341	0
<i>Total Revenues</i>	<u>4,265,498</u>	<u>4,186,710</u>	<u>4,186,618</u>	<u>(92)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	459,756	280,975	280,976	(1)
Special	193,461	178,730	178,733	(3)
Vocational	2,411,178	2,588,325	2,586,501	1,824
Support Services:				
Pupils	175,239	144,823	144,824	(1)
Instructional Staff	234,117	227,914	227,915	(1)
Board of Education	49,430	37,373	37,374	(1)
Administration	152,513	160,424	160,425	(1)
Fiscal	203,466	220,656	220,656	0
Operation and Maintenance of Plant	523,200	547,202	547,203	(1)
Central	230	2,282	2,282	0
<i>Total Expenditures</i>	<u>4,402,590</u>	<u>4,388,704</u>	<u>4,386,889</u>	<u>1,815</u>
Excess of Revenues Under Expenditures	<u>(137,092)</u>	<u>(201,994)</u>	<u>(200,271)</u>	<u>1,723</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Assets Held for Resale	90,828	90,828	90,828	0
Transfers In	116,004	116,004	0	(116,004)
Advances In	61,108	61,108	46,380	(14,728)
Tax Anticipation Note Issued	260,119	260,119	260,119	0
Transfers Out	(230,703)	(230,703)	(99,971)	130,732
<i>Total Other Financing Sources (Uses)</i>	<u>297,356</u>	<u>297,356</u>	<u>297,356</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	160,264	95,362	97,085	1,723
<i>Fund Balance Beginning of Year</i>	301,635	301,635	301,635	0
Prior Year Encumbrances Appropriated	15,227	15,227	15,227	0
<i>Fund Balance End of Year</i>	<u>\$477,126</u>	<u>\$412,224</u>	<u>\$413,947</u>	<u>\$1,723</u>

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2004*

	<u>Governmental Activity Internal Service Fund</u>
<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$56,137
<b>Current Liabilities</b>	
Claims Payable	<u>81,913</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u><u>(25,776)</u></u>

See accompanying notes to the basic financial statements.

**Jefferson County Joint Vocational School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2004*

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
<b>Operating Revenues</b>	
Charges for Services	\$730,281
<b>Operating Expenses</b>	
Purchased Services	64,993
Claims	795,106
<i>Total Operating Expenses</i>	<u>860,099</u>
<i>Operating Loss</i>	(129,818)
<b>Non-Operating Revenues</b>	
Interest	885
<i>Change in Net Assets</i>	(128,933)
<i>Net Assets Beginning of Year</i>	<u>103,157</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>(\$25,776)</u></u>

See accompanying notes to the basic financial statements



**Jefferson County Joint Vocational School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2004

	<u>Governmental Activity</u> <u>Internal Service</u> <u>Fund</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$730,281
Cash Payments for Goods and Services	(64,993)
Cash Payments for Claims	(752,087)
	(86,799)
<i>Net Cash Used for Operating Activities</i>	<i>(86,799)</i>
<b>Cash Flows from Investing Activities</b>	
Interest	885
	885
<i>Net Cash Provided by Investing Activities</i>	<i>885</i>
<i>Net Decrease in Cash and Cash Equivalents</i>	(85,914)
<i>Cash and Cash Equivalents Beginning of Year</i>	142,051
<i>Cash and Cash Equivalents End of Year</i>	\$56,137
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$129,818)
Increase in Liabilities:	
Claims Payable	43,019
	43,019
<i>Net Cash Used for Operating Activities</i>	<i>(\$86,799)</i>

See accompanying notes to the basic financial statements.

**Jefferson County Joint Vocational School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2004*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$26,438</u>
<i>Total Assets</i>	<u><u>\$26,438</u></u>
<b>Liabilities</b>	
Due to Students	<u>\$26,438</u>
<i>Total Liabilities</i>	<u><u>\$26,438</u></u>

See accompanying notes to the basic financial statements

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Jefferson County Joint Vocational 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 and one member school from Carroll 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 District is staffed by 23 non-certificated employees and 42 certificated personnel who provide services to 347 students and other community members.

*Reporting Entity:*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the 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 governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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The School District is involved with four organizations, one of which is defined as jointly governed organization, two that are defined as insurance purchasing pools and one that is defined as a claims servicing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Schools of Ohio Risk Sharing Authority and the Ohio Mid-Eastern Regional Educational Service Agency self insurance plan. These organizations are presented in Notes 17 and 18.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Jefferson County Joint Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund 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**

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

## Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

***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.

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

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service.

***Internal Service Fund*** The internal service fund accounts 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. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, vision, prescription drug and dental claims.

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

### **C. Measurement Focus**

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net assets.

## Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

### **D. Basis of Accounting**

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

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days 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 the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 7). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 nonexchange transactions must also be available before it can be recognized.

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

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**Deferred Revenue** 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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." 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 proprietary fund statement of net assets as "cash and cash equivalents with fiscal agents" since it is not required to be deposited into the School District treasury.

During fiscal year 2004, investments were limited to STAR Ohio. 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 at June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$1,708, which includes \$519, assigned from other School District funds.

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. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside to create a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

**G. Assets Held for Resale**

As an integral part of the instructional laboratory experience for the Construction Trades programs, houses are constructed on property owned by the School District for the purpose of being sold at public auction upon completion. Transactions are conducted through the School District's General Fund.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

**J. Capital Assets**

The only capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and 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 thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Land Improvements	20 Years
Buildings and Improvements	10-50 Years
Furniture, Fixtures and Equipment	5-20 Years
Vehicles	5-20 Years



**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

**L. 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 employer will compensate the employees for the benefits through paid time off or some other means.

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

**M. Accrued Liabilities and Long-Term Obligations**

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

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

**N. Interfund Activity**

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

**O. 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, 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 money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**P. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for state and federal grants restricted and various local receipts to expenditures for specified purposes.

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

**Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

**S. 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.

**T. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund, function, object level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

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

**NOTE 3 – PRIOR PERIOD RESTATEMENTS AND CHANGE IN ACCOUNTING PRINCIPLES**

**Change in Accounting Principles** For the fiscal year ended June 30, 2004, the School District has implemented GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus,” GASB No. 38, “Certain Financial Statement Note Disclosures,” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At June 30, 2004, there was no effect on fund balances as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 34 creates new basic financial statements for reporting the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures. At June 30, 2004, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective difference result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This statement had no effect on the budgetary statements of the School District for fiscal year 2004.

For fiscal year 2004, the School District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are component Units.” This Statement further defines the guidelines of GASB Statement No.14, “The Financial Reporting Entity.” At June 30, 2004, there was no effect on fund balances as a result of implementing GASB Statement 39.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**Restatement of Fund Balances** The fund classification was updated during fiscal year 2004 to reclassify the food service, and adult education funds previously reported as enterprise funds, as special revenue funds, as well as the reclassification of the uniform school supplies fund previously reported as an enterprise fund and the E-rate fund previously reported as a special revenue fund to be combined with the general fund. These reclassifications, a restatement for accrued wages and benefits payable, a restatement for taxes, and the implementation of Interpretation No. 6 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is as follows:

	General	Nonmajor Funds	Total
Fund Balances, June 30, 2003	\$275,913	(\$10,108)	\$265,805
Fund Reclassifications:			
Food Service Fund	0	(2,674)	(2,674)
Adult Education Fund	0	798	798
Uniform School Supplies Fund	2,434	0	2,434
E-Rate Fund	4,891	(4,891)	0
Accrued Benefits Payable	(96,802)	(6,510)	(103,312)
Restatement of Taxes	(15,689)	15,689	0
Interpretation 6:			
Compensated Absences	8,911	0	8,911
Restated Fund Balances, June 30, 2003	<u>\$179,658</u>	<u>(\$7,696)</u>	\$171,962
GASB 34 Adjustments:			
Capital Assets			2,918,350
Internal Service Fund			103,157
Compensated Absences			(227,048)
Intergovernmental Payable			(7,296)
Deferred Revenue - Delinquent Taxes and Grants			271,214
Governmental Activities Net Assets, June 30, 2003			<u><u>\$3,230,339</u></u>

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

The transition from proprietary fund equity to net assets of the business type activities is as follows:

	Food Service	Adult Education	Uniform School Supplies	Total
Fund Equity, June 30, 2003	\$364	\$456	\$2,434	\$3,254
Fund Reclassification, including the elimination of capital assets and long-term obligations	(364)	(456)	(2,434)	(3,254)
Business Type Activities, June 30, 2003	\$0	\$0	\$0	\$0

**NOTE 4 – FUND DEFICITS**

At June 30, 2004, the following funds had a deficit fund balance:

	<u>Deficit Fund Balance</u>
General Fund	\$30,276

The deficit in the General fund was increased by the application of generally accepted accounting principles. The primary cause of the deficit balance is liabilities for accrued wages and benefits and the tax anticipation note that is intended to be repaid over a five year period. This deficit will be eliminated at the point the note is repaid.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The proceeds from the sale of assets held for resale are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP Basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$209,934)
Revenue Accruals	119,273
Sale of Assets Held for Resale	90,828
Tax Anticipation Note Issued	260,119
Advance In	46,380
Expenditure Accruals	(130,041)
Interest and Fiscal Charges	2,107
Transfers Out	(53,107)
Encumbrances	<u>(28,540)</u>
Budget Basis	<u><u>\$97,085</u></u>

**NOTE 6 - 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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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;
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 classifications 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.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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At June 30, 2004, the School District's internal service fund had a balance of \$56,137 with OME-RESA, a claims servicing pool (See Note 18). The money is held by the claims service 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, Treasurer, Steubenville, Ohio 43695.

The following information classifies deposits 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 were \$534,043 and the bank balance was \$711,594. Of the bank balance:

\$100,000 was covered by federal depository insurance; and

\$611,594 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Fair Value</u>
STAR Ohio	<u>\$24,036</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 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental 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 classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:



**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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	Cash and Cash Equivalents/	
	<u>Deposits</u>	<u>Investments</u>
GASB Statement 9	\$558,079	\$0
STAR Ohio	(24,036)	24,036
GASB Statement 3	<u>\$534,043</u>	<u>\$24,036</u>

**NOTE 7 - 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 fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

Accrued property taxes receivable include real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$90,726 in the general fund and \$6,829 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2003, was \$208,437 in the general fund and \$15,689 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$714,445,560	68.5%	\$783,366,770	69.3%
Public Utility Personal	327,344,710	31.4%	345,421,217	30.6%
Tangible Personal	810,270	0.1%	888,670	0.1%
	<u>#####</u>	<u>100.0%</u>	<u>#####</u>	<u>100.0%</u>

Tax Rate per \$1,000 of assessed valuation      \$1.50                              \$1.50

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2004, consisted of property taxes, intergovernmental, and accounts. 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. All receivables are expected to be collected within one year.

**NOTE 9 – TRANSFERS**

	Transfers to Other Non-major Governmental
<u>Transfers from General Fund</u>	<u>\$46,864</u>

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

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The above Transfers From/To was to move tax receipts from the General Fund to the Debt Service Fund for repayment of the tax anticipation notes as debt service payments come due, and to support the programs of the Miscellaneous State and Miscellaneous Local Funds.

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004, was as follows:

	6/30/03	Additions	Deletions	6/30/04
Nondepreciable Capital Assets:				
Land	\$95,000	\$0	\$5,354	\$89,646
Depreciable Capital Assets:				
Land Improvements	99,391	0		99,391
Buildings and Improvements	4,658,250	181,881	0	4,840,131
Furniture and Equipment	1,881,044	40,611	0	1,921,655
Vehicles	38,030	0	0	38,030
Total Depreciable Capital Assets	6,676,715	222,492	0	6,899,207
Accumulated Depreciation:				
Land Improvements	(24,031)	(5,888)	0	(29,919)
Buildings and Improvements	(2,607,312)	(103,938)	0	(2,711,250)
Furniture and Equipment	(1,191,872)	(113,775)	0	(1,305,647)
Vehicles	(30,150)	(1,901)	0	(32,051)
Total Accumulated Depreciation	(3,853,365)	(225,502)	0	(4,078,867)
Total Depreciable Capital Assets, Net	2,823,350	(3,010)	0	2,820,340
Governmental Capital Assets, Net	\$2,918,350	(\$3,010)	\$5,354	\$2,909,986

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Vocational	\$168,365
Adult/Continuing	2,236
Support Services:	
Administration	4,812
Fiscal	1,039
Operation of Maintenance and Plant	46,797
Food Service Operations	2,253
Total Depreciation Expense	<u>\$225,502</u>

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 11- 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 2004 the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 18) for property, general liability, and fleet insurance. Coverages provided are as follows:

**A. Property and Liability**

<i>Property - Including Inland Marine and Miscellaneous Equipment:</i>	
Building and Contents-replacement cost (\$1,000 deductible)	\$16,431,500
<i>Crime Cover:</i>	
Employee Dishonesty (\$1,000 deductible)	\$50,000
Fogery (\$1,000 deductible)	\$50,000
Computer Fraud (\$1,000 deductible)	\$50,000
Theft, Disappearance, and Destruction (\$1,000 deductible)	
<i>General Liability:</i>	
Each Occurance	1,000,000
Aggregated Limit	3,000,000
<i>Automobile Liability:</i>	
Owned/Leased Vehicles	1,000,000
Medical Payments - Occurance	1,000
Medical Payments - Agggregate	5,000
Uninsured Motorist	50,000
Physical Damage (\$1,000 deductible)	100,000
<i>School Boards Error and Omissions:</i>	
Each Occurance (\$5,000 deductibel)	1,000,000

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

In addition, insurance coverage through Westfield Insurance Company is provided for builders risk insurance for the housing division subdivision project at Breezewood Manor. It provides coverage for \$100,000 liability and \$1,000 inland marine with no deductibles.

**B. Worker's Compensation**

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 18). The plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

**C. Employee Medical Benefits**

Medical, prescription, dental and vision insurance is offered to all employees through a self-insurance internal service fund. The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool, consisting of fifty members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage plan coverage is based on a usual, customary, and reasonable claim plan. There is a \$100 annual deductible per single or \$200 annual deductible per family for this portion of the coverage. The Board's share of the premiums for this coverage is \$611.04 for individual coverage per month and \$1,213.81 for family coverage per month which represents 95 percent of the total premium. The premium is paid from the fund that pays the salary of the covered employee. Premiums for the dental coverage are \$41.25 per month for single coverage and \$91.38 per month for family coverage and the Board pays 95 percent of the premiums. Premiums for vision coverage are \$8.56 a month for single coverage and \$19.15 for family coverage and are 100 percent covered by the Board.

The claims liability of \$81,913 reported in the internal service fund at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

<u>Year</u>	<u>Beginning of Year</u>	<u>Current Year</u>	<u>Claims</u>	<u>Balance at</u>
	<u>Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2003	\$78,324	\$646,827	\$686,257	\$38,894
2004	\$38,894	\$795,106	\$752,087	\$81,913

**NOTE 12 - 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.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
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Plan members are required to contribute 10 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 2004, 9.09 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, 2004, 2003, and 2002, were \$35,361, \$32,460, \$24,863, respectively; 97.55 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

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The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$273,138, \$273,958, \$280,813, respectively; 79.25 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$515, made by the School District and \$532 made by the plan members.

**NOTE 13 - 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.

Retirees from the DB or Combined Plans and their 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. All 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, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$19,464 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$27,872.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees who work 260 days per year earn ten to twenty-five 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 and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

**B. Other Insurance Benefits**

Life insurance is in the amount of \$30,000 for all certified teachers and classified employees and \$50,000 for administrators.

**NOTE 15 – FUND OBLIGATIONS**

The School District issued a \$436,000 tax anticipation note at 2.23 percent interest on January 23, 2004. The note was issued for capital purposes in the amount of \$175,881 (40 percent) for repair to ventilation in the school facility, which is reflected as a long-term obligation of the School District (See Note 16), and for operating purposes in the amount of \$260,119 (60 percent) for constructing a road and water and sewer lines for a housing subdivision project being conducted for instructional purposes by the carpentry class. The note is to be repaid over a five year period from general fund tax receipts. The first payment of \$85,000 was made in fiscal year 2004 (\$34,000 for the capital portion of the note, and \$51,000 for the operating portion of the note). The note was issued in anticipation of tax receipts and is backed by the full faith and credit of the School District.

A summary of the change in the note payable during fiscal year 2004 is as follows:

	Principal Outstanding		Principal Outstanding	
	6/30/03	Additions	Deductions	6/30/04
2004 Tax Anticipation Notes				
\$260,119 @ 2.23%	\$0	\$260,119	\$51,000	\$209,119



**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

The summary of the debt repayments to maturity are as follows:

<u>Ending June 30</u>	<u>Principal</u>
2005	\$51,600
2006	52,200
2007	52,800
2008	<u>52,519</u>
Total	<u><u>\$209,119</u></u>

**NOTE 16 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Amounts Due Within One Year
2004 Tax Anticipation Note \$175,881 @ 2.23%	<u>\$0</u>	<u>\$175,881</u>	<u>\$34,000</u>	<u>\$141,881</u>	<u>\$34,400</u>
Compensated Absences	<u>227,048</u>	<u>80,050</u>	<u>25,386</u>	<u>281,712</u>	<u>10,645</u>
Total Governmental Long-Term Obligations	<u><u>\$227,048</u></u>	<u><u>\$255,931</u></u>	<u><u>\$59,386</u></u>	<u><u>\$423,593</u></u>	<u><u>\$45,045</u></u>

The School District issued a \$436,000 tax anticipation note at 2.23 percent interest on January 23, 2004. The note was issued for capital purposes in the amount of \$175,881 (40 percent) for repair to ventilation in the school facility, which is reflected as a long-term obligation of the School District, and for operating purposes in the amount of \$260,119 (60 percent) for constructing a road and water and sewer lines for the a housing subdivision project being conducted for instructional purposes by the carpentry class, which is reflected as a fund liability of the School District (See Note 15). The note is to be repaid over a five year period from General Fund tax receipts transferred to the debt service fund. The first payment of \$85,000 was made in fiscal year 2004 (\$34,000 for the capital portion of the note, and \$51,000 for the operating portion of the note). The note was issued in anticipation of tax receipts and is backed by the full faith and credit of the School District.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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The summary of the debt repayments to maturity are as follows:

<u>Ending June 30</u>	<u>Principal</u>
2005	\$34,400
2006	34,800
2007	35,200
2008	<u>37,481</u>
Total	<u><u>\$141,881</u></u>

Compensated absences will be paid from the General Fund, Miscellaneous Local Fund, Perkins Grant Fund and the Food Service Fund.

The School District's voted legal debt margin was \$101,234,899, with an unvoted debt margin of \$1,129,677, at June 30, 2004.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Ohio Mid-Eastern Regional Educational Service Agency* - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2004, the total amount paid to OME-RESA from the School District was \$10,883. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**NOTE 18 - PUBLIC ENTITY POOLS**

**A. 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.

## Jefferson County Joint Vocational School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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*Schools of Ohio Risk Sharing Authority* – The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a protected self-insurance purchasing pool under the authority of Ohio Revised Code 2744. Sixty-six school districts, educational service centers and joint vocational school districts participate in the SORSA. SORSA is governed by a board of trustees elected by members. Member school districts agree to jointly participated in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials errors and omissions liability insurance.

### **B. Claims Servicing Pool**

*Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

### **NOTE 19 - 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 chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside 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. During fiscal year 2004, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute.

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.

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0	\$17,604
Current Year Set-aside Requirement	55,587	55,587	0
Prior Year Allowable Carry Forward	(79,739)	0	0
Current Year Offsets	0	(118,407)	0
Qualifying Disbursements	(106,157)	0	0
Qualifying Capital Disbursements from Note Proceeds	0	(175,881)	0
Totals	<u>(\$130,309)</u>	<u>(\$238,701)</u>	<u>\$17,604</u>
Allowable Carry Forward at June 30, 2003	0	(175,881)	0
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$130,309)</u>	<u>(\$175,881)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$17,604</u>

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had offsets 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. The School District also had current year capital expenditures from note proceeds in connection with a heating/ventilating project that may be carried forward to offset future set-aside requirements. The total reserve balance for the three set-asides at the end of the fiscal year was \$17,604.

**NOTE 20 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2004.

**B. Litigation**

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

**Jefferson County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 21 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

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**Auditor of State  
Betty Montgomery**

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

Jefferson County 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 governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Joint Vocational School District, Jefferson County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and which includes a reference to the implementation of a new reporting model, as required by the provisions of Governmental Accounting Standards Board, Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. and have issued our report thereon dated March 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 11, 2005, we reported other matters related to noncompliance we deemed immaterial.

Jefferson County Joint Vocational School District  
Jefferson County  
Independent Accountants' Report on Internal Control over  
Financial Reporting and on Compliance an Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 11, 2005



**JEFFERSON COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	<b>Ohio Revised Code §5705.39:</b> appropriations exceeded estimated resources in the Permanent Improvement Fund	YES	





**Auditor of State  
Betty Montgomery**

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

**JEFFERSON COUNTY 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  
MAY 10, 2005**