

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

WAYNE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004





**Auditor of State  
Betty Montgomery**

Board of Education  
Wayne County Joint Vocational School District  
518 West Prospect Street  
Smithville, Ohio 44677

We have reviewed the Independent Auditor's Report of the Wayne County Joint Vocational School District, Wayne County, prepared by Knox & Knox, CPAs, for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 16, 2005

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# WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

## WAYNE COUNTY FOR THE YEAR ENDED JUNE 30, 2004

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Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT**

Wayne County Joint Vocational School District  
Wayne County  
518 West Prospect Street  
Smithville, Ohio 44677

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 Wayne County Joint Vocational School District, Wayne 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. These 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County Joint Vocational School District, Wayne County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KNOX & KNOX

Orrville, Ohio  
February 17, 2005



**Wayne 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 Wayne 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 performance as a whole; readers should also review the transmittal letter, 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 2004 are as follows:

- ❑ General Revenues accounted for \$9.8 million in revenue or 72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$3.8 million or 28% of total revenues of \$13.6 million.
- ❑ Total program expenses were \$12.8 million, \$10.8 million in Governmental Activities, \$2 million in Business Type Activities.
- ❑ Net assets of governmental activities increased almost \$687,000, which is approximately twice the amount of increase from 2003.
- ❑ Outstanding bonded debt decreased from \$61,757 to \$30,791 through the payment of bond principal.

**Using this Annual Financial Report**

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

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 highlight the School District's most significant funds with all other nonmajor or funds presented in total in one column. In the case of the Wayne Joint Vocational School District, the general fund is by far the most significant fund.

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

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the School District to provide programs and activities, 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 *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.

**Wayne Joint Vocational School District**  
*Management's Discussion and Analysis*  
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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 that, 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 which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's programs and services reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

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

***Fund Financial Statements***

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for 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 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 government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 16.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 11.

**Wayne Joint Vocational School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**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:

**(Table 1)**  
**Net Assets**

Other Liabilities	<u>(20,247)</u>	<u>(912,800)</u>
Total Liabilities	(313,358)	(1,214,751)
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	1,944,951	2,083,726
Restricted	330,899	242,094
Unrestricted (Deficit)	<u>4,741,125</u>	<u>7,464,784</u>
Total Net Assets	<u>\$ 7,016,975</u>	<u>\$ 9,790,604</u>

The decrease in net assets of 2.8 million reflects the reported increase under Liabilities of \$3.6 million in deferred revenue not accounted for in the FY03 Report. This should not be an indication that school district liabilities are increasing at an alarming rate. Instead it should be noted that fund balances actually increased by \$771,390 over FY03 and that student enrollment and income from the State Foundation Program are increasing.

**Wayne Joint Vocational School District**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net assets for fiscal year 2004 compared to 2003.

**(Table 2)**  
**Governmental and Business-Type Activities**

	<b>Governmental Activities</b>	
	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,689,745	\$ 1,714,653
Operating Grants	7,171,680	6,274,537
<i>General Revenue:</i>		
Property Taxes	4,619,976	4,413,212
Investments	51,311	66,445
Miscellaneous	41,257	41,931
<b>Total Revenues</b>	<b>13,573,969</b>	<b>12,510,778</b>
<b>Program Expenses</b>		
Instruction	7,816,053	7,521,843
Support Services	4,344,575	4,139,009
Operation of Non-Instructional	610,390	443,174
Extracurricular Activities	569	646
Intergovernmental	30,639	30,288
Interest and Fiscal Charges	353	2,635
Other Financial Sources	84,557	0
<b>Total Expenses</b>	<b>12,887,136</b>	<b>12,137,595</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 686,833</b>	<b>\$ 373,183</b>

The increase of \$897,143 in Operating Grants is mainly the result of an increase in the amount generated by the State Foundation Program due to increasing enrollment in the day school. Receipts from Property Taxes are also increasing due in part to the school district being on the 2 mill floor on the collection rate for Real Estate Taxes. Overall revenue increased \$1,063,191 or approximately 8.5% over FY03. Program expenses increased from \$12.1 million in 2003 to \$12.9 million in 2004. The increase in total program expenses reflects increases in salaries, fringe benefits (health insurance and retirement), purchased services (utilities and special education costs) and other expenditures.

**Wayne Joint Vocational School District**  
*Management's Discussion and Analysis*  
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**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$13.6 million and expenditures of \$12.9 million.

**(Table 3)**  
**Governmental Activities**

	2004		2003	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
<b>Instruction:</b>				
Regular	\$ 1,151,774	\$ 973,720	\$ 922,016	\$ 424,156
Special	\$ 0	\$ 0	\$ 21,427	\$ 7,047
Vocational	\$ 6,366,636	\$ 4,845,532	\$ 6,212,981	\$ 2,287,389
Adult/Continuing/Other	\$ 390,714	\$ (9,550)	\$ 365,419	\$ (78,355)
<b>Support Services:</b>				
Pupil	543,392	272,804	577,498	1,674,436
Instructional Staff	1,099,174	535,934	944,881	
Board of Education	31,339	31,339	31,406	
Administration	1,025,324	887,617	924,745	
Fiscal	441,407	398,852	365,874	2,216,990
Operation and Maintenance of Plant	1,189,504	1,129,170	1,103,782	2,427,389
Pupil Transportation	80,502	66,389	70,170	1,063,140
Central	41,522	(348)	119,653	
Operation of Non-Instructional	615,915	62,762	443,174	80,190
Extracurricular Activities	569	427	646	553,269
Intergovernmental	0	0	30,288	
Interest and Fiscal Charges	353	353	2,635	1,283,851
<b>Total Expenses</b>	<b>\$ 12,978,125</b>	<b>\$ 9,195,001</b>	<b>\$ 12,136,595</b>	<b>\$ 11,939,502</b>

Total cost of service for 2004 increased 7% over 2003. Instruction and student support services comprise 74% of governmental program expenses. Pupil transportation and the operation/maintenance of facilities accounts for 10% of governmental program expenses.

The reliance of local tax revenues for governmental activities is crucial. Over 35.0 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 55.7 percent, while investment and other miscellaneous revenues support the remaining activity costs. Program revenues only account for 7.7 percent of governmental expenses.

While community support of the School District is crucial to the operation of the District, Grants and Entitlements provide a greater percentage of revenue for governmental activities. The greatest amount generated by Grants and Entitlements is income from the School Foundation Program. School foundation income is determined by the number of students attending the School District.

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

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**School District's Funds**

Information regarding the School District's major funds can be found in the Notes to the Basic Financial Statements, Summary of Significant Accounting Policies. These funds are accounted for using the modified accrual basis of accounting. All government funds had total revenues of \$13,573,969 and expenditures of \$12,802,579.

**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 year 2004, the School District did not modify its general fund budget. The School District bases its budgets according to needs of programs and functions. Supervisors of departments are responsible to oversee budgets and control spending. This provides for flexibility in spending between programs each school year.

For the general fund, budget basis revenue of \$9.4 million, was over original budget estimates of \$8.7 million. Of this \$700,000 increase, most was attributable to revenues generated through the State Foundation Program based on increased enrollment in the day school.

Final appropriations of \$9.3 million were \$300,000 greater than actual expenditures of the \$8.9 million. This net favorable variance was mainly the result of spending less than estimated in salaries and benefits. Employees retiring or resigning were replaced with employees earning less and in some cases positions were not filled. Also extended time granted to teaching employees was reduced in FY04.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2004, the School District had \$27.2 million invested in land, buildings, equipment and textbooks. A total of \$27.1 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2004 balances compared with 2003.

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

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

	Governmental Activities	
	2004	2003
Land	\$ 354,000	\$ 354,000
Land Improvements	\$ 58,631	63,396
Buildings and Improvements	970,383	1,040,644
Furniture and Equipment	563,522	576,305
Vehicles	18,662	37,694
<b>Totals</b>	<b>\$ 1,965,198</b>	<b>\$ 2,072,039</b>

The decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$97,583 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks (including instructional materials). Therefore, there is no need to carry over any amounts into the next school year to meet the requirements of law.

**Debt**

At June 30, 2004, the School District had \$30,791 in debt outstanding with \$8,798 due within one year. During fiscal year 2004, the HB264 Energy Loan was completely paid.

**(Table 5)**  
**Outstanding Debt, at June 30**

<b>General Obligation Bonds:</b>		
1993 HB264 Energy Loan	\$ 0	\$ 21,921
1991 Food Processing Building Loan	30,791	39,589
<b>Totals</b>	<b>\$ 30,791</b>	<b>\$ 61,510</b>

The HB264 Bonds were used to update the School District's boilers and air conditioning system. The final payment on the HB264 loan was made in November 2003.

**Wayne Joint Vocational School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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The Food Processing Building Loan was granted as a 15 year interest free loan from the State of Ohio to equip and construct a building to house a Food Processing Vocational Program. Due to low enrollment, the Food Processing Building was converted to a Culinary Arts Program Building in 2002.

### **School District Outlook**

The Wayne Joint Vocational School District will continue to have a positive financial outlook for the next few years as long as enrollment in the day school does not substantially decrease and funding from state and federal sources continues at or near current amounts.

As with any school district, the financial future of the School District is not without its challenges though. Increases in expenses, especially in the area of Salaries and Benefits, are projected to continue and revenues are expected to remain at approximately the same levels. With this forecast in mind, the School District expects to place a new levy on the ballot in November 2007.

The community opinion of the School District is very strong and property taxpayers are willing to support its operation. However, the School District covers all of Wayne County and parts of four other counties with a voter base of over 60,000 voters. To convince a majority of these voters to support a new levy will take much work and the School District as a whole must continue to produce a solid education for all of its students, high school and adult.

The financial outlook for the School District is best summarized in the last paragraph of the Assumptions to the Five Year Forecast:

We believe that good management of our resources has allowed the school district to build a carry over in the General Fund of \$4,116,497 at the end of FY04 without a new levy since 1987. Management will continue to carefully monitor funds available and spending to provide outstanding opportunities for our students while keeping costs within approved appropriations. The Five Year Forecast indicates a new one mill levy will be needed in the Calendar Year 2007. However, decreases in federal funding or state funding (reduced enrollment) may cause the district to consider additional funding sooner. Likewise, increases in federal or state funding may delay a levy request.

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

This financial report is designed to provide our citizens, taxpayers, 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 Jeffrey T. Slutz, Treasurer of Wayne Joint Vocational School District, 518 West Prospect St., Smithville, Ohio 44667. Or e-mail at [WCC\\_SLUTZ@tccsa.net](mailto:WCC_SLUTZ@tccsa.net).



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

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 5,227,275
Materials and Supplies Inventory	52,576
Accrued Interest Receivable	5,093
Accounts Receivable	187,201
Interfund Receivable	168,770
Intergovernmental Receivable	175,055
Taxes Receivable	4,178,966
<b>Noncurrent Assets:</b>	
<b>Restricted Assets:</b>	
Land and Construction in Progress	354,000
Depreciable Capital Assets, net	1,611,198
<b>Total Assets</b>	<b>11,960,134</b>
 <b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Accounts Payable	136,317
Accrued Wages and Benefits	885,420
Interfund Payable	168,770
Intergovernmental Payable	236,750
Deferred Revenue	3,222,791
<b>Noncurrent Liabilities:</b>	
<b>Long-Term Liabilities:</b>	
Due Within One Year	67,493
Due in More Than One Year	225,618
<b>Total Liabilities</b>	<b>4,943,159</b>
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	1,934,407
Restricted for Capital Outlay	242,094
Unrestricted	4,840,474
<b>Total Net Assets</b>	<b>\$ 7,016,975</b>

See accompanying notes to the basic financial statements.

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

	<u>Program Revenues</u>			<u>Net (Expenses) and Changes in Net</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$ 1,151,774	\$ 124,749	\$ 53,305	\$ (973,720)
Vocational	6,366,636	1,093,343	427,761	(4,845,532)
Adult/Continuing	390,714	105	400,159	9,550
<b>Support Services:</b>				
Pupils	543,392		270,588	(272,804)
Instructional Staff	1,099,174	298,133	265,107	(535,934)
Board of Education	31,339	0		(31,339)
Administration	1,025,324	0	137,707	(887,617)
Fiscal	440,641	11,877	30,678	(398,086)
Business	766			(766)
Operation and Maintenance of Plant	1,189,504	22,926	37,408	(1,129,170)
Pupil Transportation	80,502	9,380	4,733	(66,389)
Central	41,522	0	41,870	348
Operation of Non-Instructional Services	615,915	130,237	422,916	(62,762)
Extracurricular Activities	569	45	97	(427)
Interest and Fiscal Charges	353	0	0	(353)
<b>Total Governmental Activities</b>	<b><u>\$ 12,978,125</u></b>	<b><u>\$ 1,690,795</u></b>	<b><u>\$ 2,092,329</u></b>	<b><u>\$ (9,195,001)</u></b>
<b>General Revenues:</b>				
<b>Taxes:</b>				
Property Taxes, Levied for General Purposes				4,760,436
Grants and Entitlements not Restricted to Specific Programs				5,030,880
Gifts and Donations				38,620
Investment Earnings				51,311
Miscellaneous				1,587
Transfers				(1,000)
<b>Total General Revenues and Transfers</b>				<b><u>9,881,834</u></b>
<b>Change in Net Assets</b>				<b>686,833</b>
<b>Net Assets Beginning of Year (Restated)</b>				<b><u>6,330,142</u></b>
<b>Net Assets End of Year</b>				<b><u>\$ 7,016,975</u></b>

See accompanying notes to the basic financial statements.

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

	<u>General</u>	<u>Adult Education</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,152,991	\$ 353,815	\$ 720,469	\$ 5,227,275
Materials and Supplies Inventory	30,109	17,748	4,719	52,576
Accrued Interest Receivable	5,093	0	0	5,093
Accounts Receivable	1,423	167,746	18,032	187,201
Interfund Receivable	168,770	0	0	168,770
Intergovernmental Receivable	3,132	0	171,923	175,055
Taxes Receivable	4,178,966	0	0	4,178,966
<i>Total Assets</i>	<u>\$ 8,540,484</u>	<u>\$ 539,309</u>	<u>\$ 915,143</u>	<u>\$ 9,994,936</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 98,091	\$ 17,145	\$ 21,081	\$ 136,317
Accrued Wages and Benefits	727,461	82,303	75,656	885,420
Interfund Payable	0	0	168,770	168,770
Intergovernmental Payable	168,906	34,691	12,906	216,503
Deferred Revenue	3,538,966	0	14,724	3,553,690
<i>Total Liabilities</i>	4,533,424	134,139	293,137	4,960,700
<b>Equity:</b>				
<b>FUND BALANCES:</b>				
<b>Reserved:</b>				
Reserved for Encumbrances	158,033	52,594	17,747	228,374
Reserved for Inventory	30,109	17,748	4,719	52,576
Reserved for Property Taxes	640,000	0	0	640,000
Reserved for Budget Stabilization	277,462	0	0	277,462
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	2,901,456	0	0	2,901,456
Special Revenue Funds	0	334,828	357,446	692,274
Capital Projects Funds	0	0	242,094	242,094
<i>Total Fund Balances</i>	<u>4,007,060</u>	<u>405,170</u>	<u>622,006</u>	<u>5,034,236</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,540,484</u>	<u>\$ 539,309</u>	<u>\$ 915,143</u>	<u>\$ 9,994,936</u>

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances		\$ 5,034,236
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,965,198
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	14,724	
Delinquent Property Taxes	316,175	330,899
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	(30,791)	
Compensated Absences	(262,320)	
Intergovernmental Payable	(20,247)	(313,358)
 Net Assets of Governmental Activities		 \$ 7,016,975

See accompanying notes to the basic financial statements.

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

	<u>General</u>	<u>Adult Education</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Taxes	\$ 4,619,976	\$ 0	\$ 0	\$ 4,619,976
Intergovernmental	5,003,058	456,165	1,712,457	7,171,680
Interest	51,296	0	15	51,311
Tuition and Fees	0	940,660	114,368	1,055,028
Rent	1,050	0		1,050
Gifts and Donations	0	0	38,620	38,620
Customer Sales and Services	121,824	379,339	133,554	634,717
Miscellaneous	1,581	0	6	1,587
<i>Total Revenues</i>	<u>9,798,785</u>	<u>1,776,164</u>	<u>1,999,020</u>	<u>13,573,969</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	1,110,454	0	84,657	1,195,111
Vocational	4,561,933	1,455,260	217,785	6,234,978
Adult/Continuing	0	0	385,964	385,964
<b>Support Services:</b>				
Pupils	293,142	0	262,686	555,828
Instructional Staff	504,183	441,922	138,718	1,084,823
Board of Education	31,339	0	0	31,339
Administration	870,392	0	114,549	984,941
Fiscal	378,108	16,123	25,358	419,589
Operation and Maintenance of Plant	1,105,405	34,139	24,857	1,164,401
Pupil Transportation	37,150	13,968	11,014	62,132
Central	0	0	41,522	41,522
Operation of Non-Instructional Services	0	3,723	605,667	609,390
Extracurricular Activities	0	0	569	569
<b>Debt Service:</b>				
Principal	0	0	30,639	30,639
Interest	0	0	353	353
<i>Total Expenditures</i>	<u>8,892,106</u>	<u>1,965,135</u>	<u>1,944,338</u>	<u>12,801,579</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	906,679	(188,971)	54,682	772,390
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Transfers In	0	0	36,104	36,104
Transfers Out	(37,104)	0	0	(37,104)
<i>Total Other Financing Sources and (Uses)</i>	<u>(37,104)</u>	<u>0</u>	<u>36,104</u>	<u>(1,000)</u>
<i>Net Change in Fund Balances</i>	869,575	(188,971)	90,786	771,390
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>3,137,485</u>	<u>594,141</u>	<u>531,220</u>	<u>4,262,846</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 4,007,060</u>	<u>\$ 405,170</u>	<u>\$ 622,006</u>	<u>\$ 5,034,236</u>

See accompanying notes to the basic financial statements.

**Wayne 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	\$	771,390
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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 depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	174,327	
Current Year Depreciation	(278,708)	(104,381)
 Net effect of transactions involving sale of capital assets are not reflected in the funds		
		(2,460)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(46,971)	
Delinquent Property Taxes	140,460	93,489
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal		30,639
 Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(91,229)	
Intergovernmental Payable	(10,615)	(101,844)
 Change in Net Assets of Governmental Activities	 \$	 <u>686,833</u>

See accompanying notes to the basic financial statements.

**Wayne 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- Positive (Negative)</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 4,380,000	\$ 4,380,000	\$ 4,236,120	\$ (143,880)
Intergovernmental	4,150,000	4,150,000	5,021,120	871,120
Interest	55,000	55,000	50,766	(4,234)
Rent	0	0	1,050	1,050
Customer Sales and Services	40,000	40,000	128,873	88,873
Miscellaneous	75,000	68,000	1,586	(66,414)
<b>Total Revenues</b>	<u>8,700,000</u>	<u>8,693,000</u>	<u>9,439,515</u>	<u>746,515</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	939,725	1,017,225	1,010,965	6,260
Vocational	4,797,993	4,683,853	4,611,288	72,565
<b>Support Services:</b>				
Pupils	345,360	349,860	302,235	47,625
Instructional Staff	625,038	588,538	509,925	78,613
Board of Education	34,240	38,240	30,866	7,374
Administration	901,703	886,124	858,423	27,701
Fiscal	392,570	388,070	374,191	13,879
Operation and Maintenance of Plant	1,148,977	1,253,196	1,190,873	62,323
Pupil Transportation	33,741	46,541	40,611	5,930
<b>Total Expenditures</b>	<u>9,219,347</u>	<u>9,251,647</u>	<u>8,929,377</u>	<u>322,270</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(519,347)	(558,647)	510,138	1,068,785
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Proceeds from Sale of Fixed Assets	5,000	5,000	0	(5,000)
Advances In	20,000	20,000	270,354	250,354
Transfers Out	(70,000)	(37,700)	(37,104)	596
Advances Out	(20,000)	(320,000)	(168,770)	151,230
<b>Total Other Financing Sources and (Uses)</b>	<u>(65,000)</u>	<u>(332,700)</u>	<u>64,480</u>	<u>397,180</u>
<b>Net Change in Fund Balances</b>	(584,347)	(891,347)	574,618	1,465,965
<b>Fund Balance (Deficit) at Beginning of Year</b>	3,213,734	3,213,734	3,213,734	0
<b>Prior Year Encumbrances Appropriated</b>	<u>102,847</u>	<u>102,847</u>	<u>102,847</u>	<u>0</u>
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 2,732,234</u>	<u>\$ 2,425,234</u>	<u>\$ 3,891,199</u>	<u>\$ 1,465,965</u>

See accompanying notes to the basic financial statements.



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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>REVENUES:</b>				
Intergovernmental	\$ 547,500	\$ 441,500	\$ 456,165	\$ 14,665
Tuition and Fees	875,000	875,000	1,127,497	252,497
Customer Sales and Services	605,000	600,000	379,339	(220,661)
<b>Total Revenues</b>	<u>2,027,500</u>	<u>1,916,500</u>	<u>1,963,001</u>	<u>46,501</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Vocational	1,636,887	1,615,710	1,509,506	106,204
<b>Support Services:</b>				
Instructional Staff	477,926	479,585	441,250	38,335
Fiscal	19,201	17,718	17,718	0
Operation and Maintenance of Plant	60,527	58,013	35,641	22,372
Pupil Transportation	0	25,000	18,733	6,267
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	13,255	11,772	4,289	7,483
<b>Total Expenditures</b>	<u>2,207,796</u>	<u>2,207,798</u>	<u>2,027,137</u>	<u>180,661</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(180,296)	(291,298)	(64,136)	227,162
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Transfers In	2,500	2,500	0	(2,500)
<b>Total Other Financing Sources and (Uses)</b>	<u>2,500</u>	<u>2,500</u>	<u>0</u>	<u>(2,500)</u>
<b>Net Change in Fund Balances</b>	(177,796)	(288,798)	(64,136)	224,662
<b>Fund Balance (Deficit) at Beginning of Year</b>	225,549	225,549	225,549	0
<b>Prior Year Encumbrances Appropriated</b>	107,796	107,796	107,796	0
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 155,549</u>	<u>\$ 44,547</u>	<u>\$ 269,209</u>	<u>\$ 224,662</u>

See accompanying notes to the basic financial statements.

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

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	<u>Agency Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 49,258
<i>Total Assets</i>	<u>\$ 49,258</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Undistributed Monies	\$ 11,447
Due to Students	<u>37,811</u>
<i>Total Liabilities</i>	<u>\$ 49,258</u>

See accompanying notes to the basic financial statements.

WAYNE 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**

The Wayne County Joint Vocational School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under an appointed fifteen-member Board of Education and provides educational services as mandated by state and/or federal agencies. The Board controls one instructional/support facility staffed by 41 noncertificated employees, 98 certificated full-time teaching personnel and eight administrators who provide services to 703 students and other community members.

The Wayne County Joint Vocational School District provides more than instruction to its students. These additional services include student guidance, extracurricular, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. These District operations form the oversight unit and will be included as part of the reporting entity.

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

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, the levying of taxes or the financial statements would be misleading if data from the component unit were not included. The School District has no component units.

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

The basic financial statements of the Wayne County Joint Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 after November 30, 1989, to its governmental activities and to its propriety activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District’s accounting policies are described below.

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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**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 statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The government-side statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for School District. 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 restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment of 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 and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds focus 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 are the School District's major governmental funds:

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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

*Adult Education* – This fund accounts of educational opportunities offered on a tuition basis to preschoolers, youths and adults living within the community.

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects of the School District whose users are restricted to a particular purpose.

### **Propriety Fund**

The propriety fund focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds or internal service funds.

### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category consists of only one classification: the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### **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.

**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 balance 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 fund types 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 activities.

### **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.

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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Government funds use the modified accrual basis of accounting. The fiduciary funds also use the accrual basis of accounting. Differences in the accrual and 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 – Exchanges 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. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal in return, include income and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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: investment earnings and grants and entitlements.

**Deferred Revenue**

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

Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2004, and delinquent property taxes, whose availability is indeterminable and which are intended 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.

**Expenditures/Expenses**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred except for unmatured principal and interest on long term debt which is reported only when due and the costs of accumulated unpaid vacation and sick leave which are reported as expenditures in the period in which

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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they will be liquidated with available financial resources rather than in the period earned by the employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds other than agency funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for all funds, except the special revenue funds. The legal level of budgetary control is at the fund level for the special revenue funds. Budgetary modifications may only be made by resolution of the Board of Education.

**Tax Budget**

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

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the Appropriation Resolution. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding fiscal year. The Certificate may be further amended during the fiscal 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 amended Certificate when the original appropriations were adopted. Prior to year-end, the School District requested and received an amended Certificate of Estimated Resources that reflects actual revenue for the fiscal year. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended Certificate issued for fiscal year 2004.

**Appropriations**

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources, based on final assessed values and tax rates, or a certificate stating no new certificate is necessary, by October 1, the annual Appropriation Resolution must be legally enacted by the Board of Education at the legal levels of budgetary control. Prior to the passage of the annual Appropriation Resolution, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. Appropriations by fund must be within the estimated resources as certified by the Commission and the total of expenditures and encumbrances may not exceed the appropriation at any level of control. Any revisions that alter the total of any fund appropriation or alter total function

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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appropriations within a fund, or alter total object appropriations within functions must be approved by the Board of Education. The Board may pass supplemental appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources.

Formal budgetary integration is employed as a management control device during the fiscal year for all funds consistent with statutory provisions. Appropriation amounts are as originally adopted or as amended by the Board of Education throughout the fiscal year by supplemental appropriations which either reallocate, increase or decrease the original appropriated amounts. During the fiscal year, several supplemental appropriation measures were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at fiscal year are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

**Lapsing of Appropriations**

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

**Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Nonparticipating investment contracts such as overnight repurchase agreements and non-negotiable certificates of deposit are reported at cost.

Following Ohio statues, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue has been credited to the General Fund and the Food Service Fund. Interest credited to the General Fund during fiscal year 2004 amounted to \$51,311 which includes \$12,381 assigned from other School District funds.

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



WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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**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, contributor's grantors or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

**Inventory**

On government-wide financial statements, inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased.

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 on the fund financial statements.

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

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

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings	15 - 30 years
Furniture and Fixtures	8 - 20 years
Vehicles	5 - 15 years
Equipment	8 - 20 years

**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 in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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**Compensated Absences**

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences".

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensated the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a special event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The School District has accrued a liability for these compensated absences using the termination method when the following criterion is met:

1. The benefits are earned by the employee and it is probable that the employer will compensate the employee for the benefits through cash payments conditioned on the "employee's" retirement ("termination payments").

The sick leave liability has been based on the School District's past experience of making termination payments for sick leave.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**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, 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 loans are recognized as a liability on the governmental fund financial statements when due.

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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, grantor or laws, or regulations of other governments.

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

**Fund Balance Reserves and Designations**

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 property taxes, inventory, advances, budget stabilization and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents set aside that exceed statutorily required amounts.

**Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after nonoperating revenues/expenses in the food service enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates**

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

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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**NOTE 3 – RESTATEMENT OF NET ASSETS**

In June 30, 2003 there was no deferred revenue for taxes recorded in the Statement of Net Assets. The following is a restatement of June 30, 2003 net assets.

Governmental Activities Net Assets June 30, 2003	\$9,790,604
Deferred Revenue	<u>3,460,462</u>
Governmental Activities Net Assets June 30, 2003	<u><u>\$6,330,142</u></u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations and changes in fund balance/retained earnings are based upon generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances- Budget (Non-GAAP Basis) and Actual, presented for the General Fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget and the fund financial statements are the following:

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. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balances for governmental fund types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

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

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Net Change in Fund Balance  
 Major Governmental Fund

	General	Adult Education
GAAP Basis	\$ 869,575	\$ (188,971)
Net Adjustment for Revenue Accruals	(359,270)	186,837
Advance In	270,354	0
Advance Out	(168,770)	0
Net Adjustment for Expenditure Accruals	224,519	22,608
Encumbrances	(261,790)	(84,610)
Budget Basis	\$ 574,618	\$ (64,136)

**NOTE 5 – COMPLIANCE AND ACCOUNTABILITY**

The following funds had a deficit fund balance caused by the recognition of expenditures and/or nonrecognition of revenues on the modified accrual basis of accounting which substantially differs from those recognized on the cash basis of accounting:

	Deficit	
	Fund Balance	Net Assets
Nonmajor Governmental Funds:		
Lunchroom Fund	\$ 394	\$ 1,817
Able Jobs	287	287
Safe/Drug Free Schools	1,204	0
Vocational Education	1,733	8,806
Title VI	3,427	0
Improving Teacher Quality	2,926	0

**NOTE 6 – DEPOSITS AND INVESTMENTS**

Deposits and investments are restricted by provisions of the Ohio Revised Code. State statutes require the classification of 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 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 deposits maturing not later than 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.

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts. Interim monies are permitted to 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 or 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 bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the highest rating classifications by at least two nationally recognized rating agencies.

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

Investments 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 held to maturity.

Investments may only be made through specified dealers and institutions. Payments 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.

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WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2004

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**Cash on Hand**

At fiscal year end, the School District had \$6,495 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Purchase Agreements".

**Deposits**

At fiscal year end, the carrying amount of the School District's deposits was \$770,038 and the bank balance was \$777,811. Of the bank balance:

1. \$196,979 was covered by federal depository insurance; and
2. \$580,832 was held in collateral pools with no specification for which such funds are held which is considered to be uninsured and uncollateralized as defined by GASB Statement No. 3. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Investments**

The District's investments are categorized below to give an indication of the level of credit risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the 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 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 District's name.

	Category 2	Category 3	Fair Value
Overnight Repurchase Agreements	\$ 0	\$ 3,000,000	\$ 3,000,000
Certificates of Deposit	1,500,000	0	1,500,000
Total Investments	\$ 1,500,000	\$ 3,000,000	\$ 4,500,000

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "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:

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2004

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 5,276,533	\$ 0
Certificates of Deposit with maturities greater than 90 days	(1,500,000)	1,500,000
Investments of the Cash Management Pool:		
Overnight Repurchase Agreements	(3,000,000)	3,000,000
Cash on Hand	(6,495)	0
GASB Statement No. 3	\$ 770,038	\$ 4,500,000

**NOTE 7 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District’s fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second half tax distributions are received in the first half of the following fiscal year. Second half distributions occur in a subsequent fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property used in business located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for real property are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 100 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the previous year. Tangible personal property assessments are 25 percent of true value.



WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2004

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

	2003 Second Half		
	Residential/ Agriculture	Commercial/ Industrial	Public Utilities
Real Property:			
Wayne County	\$1,315,608,100	\$ 314,640,460	\$ 561,780
Medina County	6,025,930	9,339,890	1,920
Holmes County	28,086,470	3,282,860	0
Stark County	38,630	0	0
Ashland County	4,627,840	0	146,860
Grand Total	\$1,354,386,970	\$ 327,263,210	\$ 710,560
%	66.40%	16.05%	0.03%
	General	Public Utilites	Total Assessed Value
Tangible Personal Property Tax:			
Wayne County	\$ 274,148,454	\$ 69,765,520	\$1,974,724,314
Medina County	3,136,825	632,700	19,137,265
Holmes County	7,651,860	1,510,170	40,531,360
Stark County	0	370	39,000
Ashland County	42,190	575,970	5,392,860
Grand Total	\$ 284,979,329	\$ 72,484,730	\$2,039,824,799
%	13.97%	3.55%	100.00%
Tax rate per \$1,000 of Assessed Valuation	\$ 4.10		

**WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2004

	2004 First Half		
	Residential/ Agriculture	Commercial/ Industrial	Public Utilities
Real Property:			
Wayne County	\$ 1,350,500,060	\$ 317,552,320	\$ 561,240
Medina County	6,428,690	10,045,170	2,000
Holmes County	28,837,940	2,884,770	0
Stark County	42,830	0	0
Ashland County	0	0	0
Grand Total	<u>\$ 1,385,809,520</u>	<u>\$ 330,482,260</u>	<u>\$ 563,240</u>
%	67.55%	16.11%	0.03%
			Total Assessed
	General	Public Utilites	Value
Tangible Personal Property Tax:			
Wayne County	\$ 255,883,897	\$ 66,328,210	\$ 1,990,825,727
Medina County	3,846,956	660,090	20,982,906
Holmes County	6,410,100	1,566,470	39,699,280
Stark County	0	470	43,300
Ashland County	0	0	0
Grand Total	<u>\$ 266,140,953</u>	<u>\$ 68,555,240</u>	<u>\$ 2,051,551,213</u>
%	12.97%	3.34%	100.00%
Tax rate per \$1,000 of Assessed Valuation	\$ 4.10		

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 earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

The Wayne, Medina, Holmes, Stark, and Ashland County Treasurers collect property tax on behalf of all taxing districts within the Counties. The County Auditors periodically advance to the District their portion of the taxes collected. The amount available to the District as an advance at June 30, 2004, is available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$640,000. The

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2004

entire amount was available to the general fund. The amount available as an advance at June 30 is also reflected as a reservation of fund balance for future appropriations.

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts, interest, and intergovernmental. 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.

**NOTE 9 – CAPITAL ASSETS**

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

	<u>Balance 7/1/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2004</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 354,000	\$ 0	\$ 0	\$ 354,000
<i>Capital Assets, being depreciated:</i>				
Land Improvements	380,391	0	0	380,391
Buildings and Improvements	5,144,061	0	0	5,144,061
Furniture and Equipment	2,919,543	174,327	(36,546)	3,057,324
Vehicles	<u>404,878</u>	<u>0</u>	<u>0</u>	<u>404,878</u>
Total Capital Assets, being depreciated	8,848,873	174,327	(36,546)	8,986,654
Less Accumulated Depreciation:				
Land Improvements	(316,995)	(4,765)	0	(321,760)
Buildings and Improvements	(4,103,417)	(70,261)	0	(4,173,678)
Furniture and Equipment	(2,343,238)	(184,650)	34,086	(2,493,802)
Vehicles	<u>(367,184)</u>	<u>(19,032)</u>	<u>0</u>	<u>(386,216)</u>
Total Accumulated Depreciation	<u>(7,130,834)</u>	<u>(278,708)</u>	<u>34,086</u>	<u>(7,375,456)</u>
Total Capital Assets being depreciated, net	<u>1,718,039</u>	<u>(104,381)</u>	<u>(2,460)</u>	<u>1,611,198</u>
 Governmental Capital Assets, net	 <u>\$ 2,072,039</u>	 <u>\$ (104,381)</u>	 <u>\$ (2,460)</u>	 <u>\$ 1,965,198</u>

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,971
Vocational	225,195
Adult Continuing Education	2,566
Support Services:	
Pupil	1,327
Instructional Staff	701
Administration	4,362
Business	766
Operation and Maintenance Plant	18,658
Pupil Transportation	18,370
Operation of Non-Instructional	4,792
Total Depreciation Expense	<u>\$ 278,708</u>

#### NOTE 10 – RISK MANAGEMENT

##### General Insurance

The District is exposed to various risks of loss related to torts; theft; damage to or destruction of assets, errors and omissions; employee injuries; and natural disasters. The District has a comprehensive property and casualty policy with a deductible of \$1,000 per incident. The District's vehicle liability insurance policy limit is \$1,000,000 for each occurrence with a \$250 collision deductible. All administrators and employees are covered under a District liability policy. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

##### Fidelity Bond

The Board President and Superintendent each have a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$20,000. The Assistant Treasurer is also covered under a surety bond in the amount of \$10,000. All other school employees who are responsible for handling funds are covered by a \$10,000 fidelity bond.

##### Workers' Compensation

The District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2004

**NOTE 11 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the District from July 1, 2003 through June 30, 2004 were as follows:

	<u>Outstanding 7/1/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/2004</u>	<u>Due Within One Year</u>
<b>Government Type Activities:</b>					
General Obligation Bonds:					
Food Processing Building Loan					
0.00%, 12/02 - 12/07	\$ 39,589	\$ 0	\$ 8,798	\$ 30,791	\$ 8,798
Energy Conservation Loan					
5.25%, 11/93 - 11/03	22,168	0	22,168	0	0
	<u>61,757</u>	<u>0</u>	<u>30,966</u>	<u>30,791</u>	<u>8,798</u>
Compensated Absences Payable	69,103	296,671	103,454	262,320	58,695
Total Government Type Activities					
Long-Term Liabilities	<u>\$ 130,860</u>	<u>\$ 296,671</u>	<u>\$ 134,420</u>	<u>\$ 293,111</u>	<u>\$ 67,493</u>

The debt service fund is being used to repay both the Food Processing Building Loan and the Energy Conservation Loan. Compensated Absences Payable will be paid from the fund from which the employee is paid. The Food Processing Building Loan is an interest free loan from the State of Ohio. The loan was made in fiscal year 1993 in the amount of \$181,111. In fiscal year 1994, the District was given approval to borrow monies under H.B. 264 for an Energy Retrofit Project. The District borrowed \$418,705 from First National Bank at a stated rate of interest of 5.25 percent and was paid off in fiscal year 2004. Principal requirements to maturity for the Food Processing Building Loan are as follows:

Fiscal Year Ending June 30,	Principal
2005	\$ 8,798
2006	8,798
2007	8,798
2008	4,397
Total	<u>\$ 30,791</u>

The Food Processing Building Loan is backed by the full faith and credit of the District.

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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**NOTE 12 – INTERFUND BALANCES**

The composition of interfund receivable /payable as of June 30, 2004 on the Balance Sheet is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 168,770	\$ 0
Nonmajor Governmental Funds	<u>0</u>	<u>168,770</u>
Total	<u>\$ 168,770</u>	<u>\$ 168,770</u>

**NOTE 13 – INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 37,104
Nonmajor Governmental Funds		
Bond Retirement	30,992	0
Professional Development Grant	250	0
Eisenhower Grant	173	0
Improving Teacher Quality	8	0
CTPF Plan	4,681	0
Student Activities	1,000	0
Total	<u>\$ 37,104</u>	<u>\$ 37,104</u>

These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

**NOTE 14 – PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
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Plan members are required to contribute 10% 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% 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% 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 to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$185,975, \$98,574, and \$51,545, respectively; 17% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$32,526 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability within the respective funds.

### **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.

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 were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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 \$828,347, \$511,748, and, \$513,502, respectively; 84% has been contributed for

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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fiscal year 2004 and 100% for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$5,914 made by the School District and \$16,672 made by the plan members. \$134,419 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability within the respective funds.

**NOTE 15 – POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$59,168 during the 2004 fiscal year.

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, the 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% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% 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% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between 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. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$92,009.

The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care for the fiscal year ended 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 had approximately 62,000 participants currently receiving health care benefits.



WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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**NOTE 16 – OTHER EMPLOYEE BENEFITS – COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment and must be used within the next twelve months. Teachers and administrators do not earn vacation time. All employees of the Board of Education earn sick leave at the rate of one and one-fourth days per month. Upon retirement and with 10 years of service or more at the District, nonclassified employees shall receive severance payments equal to 25 percent of accumulated unused sick leave and classified employees shall receive severance payments equal to 30 percent of accumulated unused sick leave.

**NOTE 17 – JOINTLY GOVERNED ORGANIZATION**

The Midland Council of Governments is a jointly governed organization among twenty-two boards of education. The Council of Governments was formed to provide efficient and cost effective computer and data processing services to member boards. Financial support for the Council of Governments is provided by member fees levied according to the number of students within each member's respective district. The Executive Committee determines and sets the fees for all services.

Representation on the Council of Governments consists of one member appointed by each member board of education. The representative shall be the Superintendent, Assistant Superintendent or Treasurer of the member district board of education. The Council of Governments is governed by the Executive Committee who is elected for two year terms except the position of Fiscal Agent Superintendent which is a permanent appointment. The Executive Committee consists of seven members. The members are two Superintendents, two Treasurers, two members-at-large and the Fiscal Agent Superintendent.

**NOTE 18 – CONTINGENCIES**

**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**Litigation**

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

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2004

**NOTE 19 – 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 District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 20 – SET ASIDES**

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 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, Senate Bill 345, eliminated the requirement that the School Districts establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the act.

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

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set Aside Cash Balance as of June 30,2003	\$ 277,462	\$ 0	\$ 0	\$ 277,462
Set Aside Carry Over Balance as of June 30, 2003	0	0	(367,169)	(367,169)
Current Year Set-Aside Requirement	0	97,583	97,583	195,166
Qualifying Disbursements	0	(201,738)	(591,086)	(792,824)
Totals	<u>\$ 277,462</u>	<u>\$ (104,155)</u>	<u>\$ (860,672)</u>	<u>\$ (687,365)</u>
Cash Balance Carried Forward FY 2005	<u>\$ 277,462</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 277,462</u>
Amount to Restrict for Set- Asides				<u>\$ 277,462</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Negatives are therefore not presented as being carried forward to the next fiscal year for the other set-asides.

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**WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Noncash Receipts</u>	<u>Disbursements</u>	<u>Noncash Disbursements</u>
U.S. Department of Agriculture Pass Through Ohio Department of Education:						
Child Nutrition Cluster						
National School Lunch	LLP4-03-04	10.555	\$ 41,994	\$ 0	\$ 41,994	\$ 0
Food Distribution Program (Commodities)		10.550	<u>0</u>	<u>26,391</u>	<u>0</u>	<u>26,391</u>
Total Child Nutrition Cluster			<u>41,994</u>	<u>26,391</u>	<u>41,994</u>	<u>26,391</u>
Total U.S. Department of Agriculture			<u>41,994</u>	<u>26,391</u>	<u>41,994</u>	<u>26,391</u>
U.S. Department of Education Pass Through the Ohio Department Of Education:						
Adult and Community Education						
Adult Education	AB-S1-03-04	84.002	<u>149,717</u>	<u>0</u>	<u>149,717</u>	<u>0</u>
Total Adult Education			<u>149,717</u>	<u>0</u>	<u>149,717</u>	<u>0</u>
Vocational Education Basic Grants To States						
		84.048				
	20-C1-2003		43,491	0	43,491	0
	20-C2-2003		7,651	0	7,651	0
	20-C2-2004		62,795	0	62,795	0
	20-C1-2004		<u>220,141</u>	<u>0</u>	<u>220,141</u>	<u>0</u>
Total Vocational Education Basic Grants to States			<u>334,078</u>	<u>0</u>	<u>334,078</u>	<u>0</u>

continued

WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
WAYNE COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Noncash Receipts</u>	<u>Disbursements</u>	<u>Noncash Disbursements</u>
Even Start - Family Literacy		84.213				
Even Start - FY 2003	EV-S2-2003		162,591	0	162,591	0
Even Start - FY 2001	EV-S1-2004		286,554	0	286,554	0
Total Even Start			<u>449,145</u>	<u>0</u>	<u>449,145</u>	<u>0</u>
Eisenhower/Math Science	MS-S1-2001	84.281	<u>0</u>	<u>0</u>	<u>173</u>	<u>0</u>
Total Eisenhower			0	0	173	0
Drug Free Schools	DR-S1-03-04	84.186	1,858	0	1,858	0
Total Drug Free Schools			<u>1,858</u>	<u>0</u>	<u>1,858</u>	<u>0</u>
Innovative Education Program						
Title VI FY 03	C2-S1-2003	84.298	3,070	0	3,070	0
Title VI FY 04	C2-S1-2004		<u>757</u>	<u>0</u>	<u>757</u>	<u>0</u>
Total Innovative Education Program			3,827	0	3,827	0
Improving Teacher Quality	TR-S1-03-04	84.367	<u>3,939</u>	<u>0</u>	<u>3,939</u>	<u>0</u>
Total Improving Teacher Quality			3,939	0	3,939	
Total U.S. Dept. of Education Pass Through Ohio Dept. of Educ.			<u>942,564</u>	<u>0</u>	<u>942,737</u>	<u>0</u>
Adult Vocational Training		84.048	<u>82,964</u>	<u>0</u>	<u>82,964</u>	<u>0</u>
Total Adult Vocational			<u>82,964</u>	<u>0</u>	<u>82,964</u>	<u>0</u>
Student Financial Assistance Cluster:						
Pell Grant	N/A	84.063	420,047	0	419,352	0
SEOG Grant			<u>11,086</u>		<u>11,086</u>	
Total Student Financial Assistance Cluster			<u>431,133</u>	<u>0</u>	<u>430,438</u>	<u>0</u>
Total U.S. Department of Education			<u>1,456,661</u>	<u>0</u>	<u>1,456,139</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,498,655</u>	<u>\$ 26,391</u>	<u>\$ 1,498,133</u>	<u>\$ 26,391</u>

The notes to the Schedule of Federal Award Expenditures are an integral part of this statement.

**WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the School District had no food commodities in inventory.

**NOTE C- FEDERAL PELL GRANT**

The Pell Grant is recorded as tuition.

N/A - Not Applicable  
CFDA - Catalog of Federal Domestic Assistance

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## Accountants and Consultants

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

Wayne County Joint Vocational School District  
Wayne County  
518 West Prospect Street  
Smithville, OH 44677

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 the Wayne County Joint Vocational School District, Wayne County, Ohio (the School District), as of and for the year ended June 30, 2004, and have issued our report thereon dated February 17, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated February 17, 2005.

#### **Compliance and Other Matters**

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



Wayne County Joint Vocational School District  
Wayne County  
Report of Independent Accountants  
on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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Orrville, Ohio  
February 17, 2005

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## Accountants and Consultants

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

Wayne County Joint Vocational School District  
Wayne County  
518 West Prospect Street  
Smithville, OH 44677

To the Board of Education:

#### **Compliance**

We have audited the compliance of the Wayne County Joint Vocational School District, Wayne County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contract and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

### **Internal Control Over Compliance**

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

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

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

KNOX & KNOX

Orrville, Ohio  
February 17, 2005

**WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
WAYNE COUNTY  
SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 Sect.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Sect. 510?	No
(d)(1)(vii)	Major programs (list):	Vocational Ed., CFDA # 84.048 Pell Grants CFDA #84.063 Even Start CFDA #84.213
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

NONE

**3. FINDINGS FOR FEDERAL AWARDS**

NONE



**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

**WAYNE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
WAYNE 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  
MARCH 29, 2005**