

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Stark County Area Vocational School District  
Stark County  
6805 Richville Drive SW  
Massillon, Ohio 44646

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2008, 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 opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Stark County Area Vocational School District, Stark County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

March 12, 2009

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The management's discussion and analysis of the Stark County Area Vocational School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$611,667 which represents a 4.37% increase from 2007.
- General revenues accounted for \$7,007,204 in revenue or 86.47% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$1,096,097 or 13.53% of total revenues of \$8,103,301.
- The District had \$7,491,634 in expenses related to governmental activities; \$1,096,097 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,007,204 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,675,623 in revenues and other financing sources and \$7,228,580 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$447,043 from \$8,712,280 to \$9,159,323.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire 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 District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the 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 District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and statement of changes in fiduciary net assets on pages 20-21 of this report. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic 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. These notes to the basic financial statements can be found on pages 23-46 of this report.



**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 12,709,559	\$ 12,080,740
Capital assets, net	<u>5,879,610</u>	<u>5,738,530</u>
Total assets	<u>18,589,169</u>	<u>17,819,270</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,135,634	3,072,544
Long-term liabilities	<u>851,360</u>	<u>756,218</u>
Total liabilities	<u>3,986,994</u>	<u>3,828,762</u>
<b><u>Net assets</u></b>		
Invested in capital assets	5,879,610	5,736,050
Restricted	61,024	32,695
Unrestricted	<u>8,661,541</u>	<u>8,221,763</u>
Total net assets	<u>\$ 14,602,175</u>	<u>\$ 13,990,508</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$14,602,175. Of this total, \$8,661,541 is unrestricted in use.

At year-end, capital assets represented 31.63% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment and vehicles. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

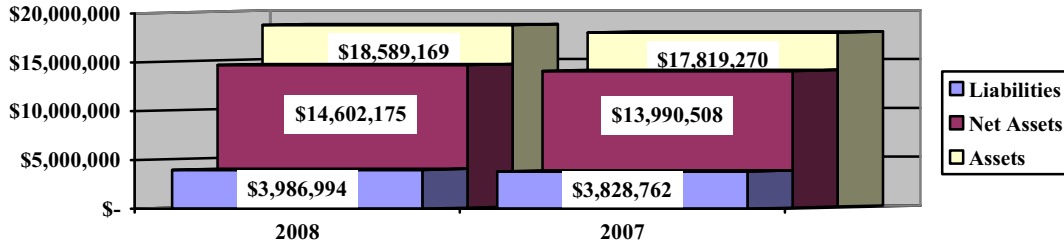
A portion of the District's net assets, \$61,024 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$8,661,541 may be used to meet the District's ongoing obligations to the students and creditors.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below illustrates the District's governmental activities assets, liabilities and net assets at June 30, 2008 and 2007.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2008 and 2007.

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 556,347	\$ 398,975
Operating grants and contributions	539,750	559,671
General revenues:		
Property taxes	2,480,030	2,297,756
Grants and entitlements	4,110,243	3,628,017
Investment earnings	381,067	565,862
Other	<u>35,864</u>	<u>75,781</u>
Total revenues	<u>8,103,301</u>	<u>7,526,062</u>

--continued

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Change in Net Assets - (Continued)**

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 760,031	\$ 756,053
Special	130,230	151,949
Vocational	3,341,272	3,175,655
Adult/continuing	3,254	-
Other	5,341	1,224
Support services:		
Pupil	1,004,125	916,665
Instructional staff	457,281	388,074
Board of education	26,008	52,829
Administration	263,508	239,898
Fiscal	232,524	208,056
Business	25,104	1,180
Operations and maintenance	858,006	801,016
Central	93,325	77,526
Operation of non-instructional services:		
Food service operations	243,142	234,270
Other non-instructional services	3,815	-
Extracurricular activities	44,642	31,706
Interest and fiscal charges	<u>26</u>	<u>821</u>
Total expenses	<u>7,491,634</u>	<u>7,036,922</u>
Change in net assets	611,667	489,140
Net assets at beginning of year	<u>13,990,508</u>	<u>13,501,368</u>
Net assets at end of year	<u>\$ 14,602,175</u>	<u>\$ 13,990,508</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$611,667. Total governmental expenses of \$7,491,634 were offset by program revenues of \$1,096,097 and general revenues of \$7,007,204. Program revenues supported 14.63% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 81.33% of total governmental revenue.

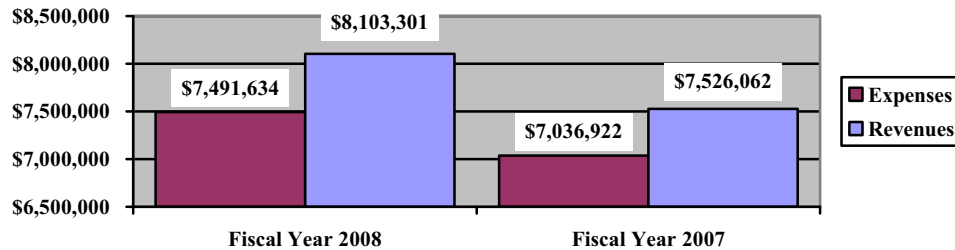
The largest expense of the District is for instructional programs, primarily vocational instruction. Instruction expenses totaled \$4,240,128 or 56.60% of total governmental expenses for fiscal year 2008.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Program expenses</b>				
Instruction:				
Regular	\$ 760,031	\$ 758,031	\$ 756,053	\$ 756,053
Special	130,230	34,478	151,949	40,392
Vocational	3,341,272	2,851,092	3,175,655	2,599,178
Adult/continuing	3,254	3,254	-	-
Other	5,341	5,341	1,224	1,224
Support services:				
Pupil	1,004,125	997,750	916,665	882,939
Instructional staff	457,281	428,323	388,074	365,266
Board of education	26,008	26,008	52,829	52,829
Administration	263,508	258,508	239,898	234,898
Fiscal	232,524	232,524	208,056	208,056
Business	25,104	25,104	1,180	1,155
Operations and maintenance	858,006	602,804	801,016	786,170
Central	93,325	90,325	77,526	74,087
Operations of non-instructional services:				
Food service operations	243,142	33,512	234,270	43,502
Other non-instructional services	3,815	3,815	-	-
Extracurricular activities	44,642	44,642	31,706	31,706
Interest and fiscal charges	26	26	821	821
<b>Total expenses</b>	<u>\$ 7,491,634</u>	<u>\$ 6,395,537</u>	<u>\$ 7,036,922</u>	<u>\$ 6,078,276</u>

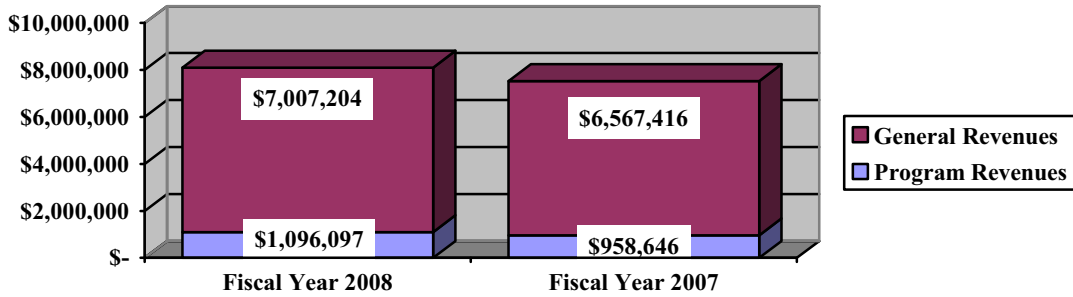
The dependence upon tax and other general revenues for governmental activities is apparent; 86.13% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.37%. The District's intergovernmental revenues, as a whole, are by far the primary support for District's students.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$9,318,317, which is greater than last year's total of \$8,844,152. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	<u>Fund Balance June 30, 2008</u>	<u>Fund Balance June 30, 2007</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 9,159,323	\$ 8,712,280	\$ 447,043	5.13 %
Other governmental	<u>158,994</u>	<u>131,872</u>	<u>27,122</u>	20.57 %
Total	<u>\$ 9,318,317</u>	<u>\$ 8,844,152</u>	<u>\$ 474,165</u>	5.36 %

**General Fund**

The District's general fund balance increased \$447,043. The increase in fund balance can be attributed to several items related to increasing revenues outpacing increasing expenditures. Revenues exceed expenditures for fiscal year 2008 by \$456,543. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,462,759	\$ 2,276,227	\$ 186,532	8.19 %
Earnings on investments	411,087	580,160	(169,073)	(29.14) %
Intergovernmental	4,400,573	3,917,737	482,836	12.32 %
Other revenues	<u>400,704</u>	<u>212,663</u>	<u>188,041</u>	88.42 %
<b>Total</b>	<b><u>\$ 7,675,123</u></b>	<b><u>\$ 6,986,787</u></b>	<b><u>\$ 688,336</u></b>	<b>9.85 %</b>
<b><u>Expenditures</u></b>				
Instruction	\$ 4,129,434	\$ 3,832,358	\$ 297,076	7.75 %
Support services	2,989,409	2,587,455	401,954	15.53 %
Non-instructional services	45,919	-	45,919	100.00 %
Extracurricular activities	44,642	31,706	12,936	40.80 %
Facilities acquisition and construction	6,670	89,674	(83,004)	(92.56) %
Debt service	<u>2,506</u>	<u>15,029</u>	<u>(12,523)</u>	(83.33) %
<b>Total</b>	<b><u>\$ 7,218,580</u></b>	<b><u>\$ 6,556,222</u></b>	<b><u>\$ 662,358</u></b>	<b>10.10 %</b>

The increase in tax revenues is due to increased collections during the fiscal year, which is a result of increased assessed property valuations. The decrease in earnings on investments is due primarily to a decrease in interest rates. The increase in intergovernmental revenues and other revenues is due to increased enrollment, which affects the amount of intergovernmental revenues the District receives from the State. The increase in instruction is primarily due to salaries and wages increases. The primary reason for the increase in support services is the rising costs of operating and maintaining the facilities of the District.

***General Fund Budgeting Highlights***

The 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 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$7,290,868 were the same as final budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2008 was \$7,652,082. This represents a \$361,214 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$8,398,637, which were decreased to \$8,393,637 in the final appropriations. The actual budget basis expenditures for fiscal year 2008 totaled \$7,639,702, which was lower than the final budget appropriations by \$753,935.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2008, the District had \$5,879,610 invested in land, construction in progress, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal 2008 balances compared to 2007:

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

	Governmental Activities	
	2008	2007
Land	\$ 144,865	\$ 144,865
Construction in progress	166,798	33,461
Building and improvements	4,588,958	4,658,562
Furniture and equipment	932,712	873,799
Vehicles	46,277	27,843
 Total	 \$ 5,879,610	 \$ 5,738,530

The overall increase in capital assets of \$141,080 is due to capital outlays of \$425,255 exceeding depreciation expense of \$274,363 and disposals of \$9,812 (net of accumulated depreciation) in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2008, the District had no debt outstanding. The only long-term obligation for the District is for compensated absences of \$851,360. Of this total, \$136,133 is due within one year and \$715,227 is due in greater than one year. The following table summarizes the compensated absences outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2008	2007
Compensated absences	\$ 851,360	\$ 753,738
Total	\$ 851,360	\$ 753,738

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Current Financial Related Activities**

The District's current financial forecast supports financial stability over the next five years. The greatest challenge in maintaining a stable financial forecast is the uncertainty of future State funding. The District relies on the State for approximately 52% of the general fund operating revenues. The State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed additional revenue growth toward the support of school districts with little property tax wealth. At this time, the District is unable to determine what effect, if any, this will have on future State funding.

The District renovated a chemistry lab, repaved the parking lot, and replaced an antiquated boiler system with an energy efficient system. Project costs will be financed exclusively through general fund monies and all are scheduled to be completed during the 2008-09 school year.

There are currently no anticipated needs for any additional operating levies if the assumptions in the five-year forecast prove to be correct.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Jeff Gruber, Treasurer, Stark County Area Vocational School District, 6805 Richville Drive SW, Massillon, Ohio 44646-9433.



**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 10,074,466
Receivables:	
Taxes . . . . .	2,562,523
Accounts . . . . .	1,905
Intergovernmental. . . . .	60,724
Accrued interest. . . . .	214
Prepayments . . . . .	5,554
Materials and supplies inventory . . . . .	4,173
Capital assets:	
Land and construction in progress. . . . .	311,663
Depreciable capital assets, net . . . . .	5,567,947
Total capital assets, net . . . . .	<u>5,879,610</u>
 Total assets. . . . .	 <u>18,589,169</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	24,714
Contracts payable. . . . .	160,126
Retainage payable . . . . .	6,672
Accrued wages and benefits . . . . .	619,996
Pension obligation payable. . . . .	85,461
Intergovernmental payable . . . . .	26,436
Unearned revenue . . . . .	2,212,229
Long-term liabilities:	
Due within one year. . . . .	136,133
Due in more than one year . . . . .	715,227
 Total liabilities . . . . .	 <u>3,986,994</u>
<b>Net assets:</b>	
Invested in capital assets. . . . .	5,879,610
Restricted for:	
State funded programs. . . . .	2,696
Federally funded programs . . . . .	58,328
Unrestricted. . . . .	<u>8,661,541</u>
 Total net assets . . . . .	 <u>\$ 14,602,175</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 760,031	\$ -	\$ 2,000	\$ (758,031)
Special . . . . .	130,230	-	95,752	(34,478)
Vocational . . . . .	3,341,272	181,613	308,567	(2,851,092)
Adult/continuing . . . . .	3,254	-	-	(3,254)
Other . . . . .	5,341	-	-	(5,341)
Support services:				
Pupil . . . . .	1,004,125	-	6,375	(997,750)
Instructional staff . . . . .	457,281	-	28,958	(428,323)
Board of education . . . . .	26,008	-	-	(26,008)
Administration . . . . .	263,508	-	5,000	(258,508)
Fiscal . . . . .	232,524	-	-	(232,524)
Business . . . . .	25,104	-	-	(25,104)
Operations and maintenance . . . . .	858,006	255,202	-	(602,804)
Central . . . . .	93,325	-	3,000	(90,325)
Operation of non-instructional services:				
Food service operations . . . . .	243,142	119,532	90,098	(33,512)
Other non-instructional services . . . . .	3,815	-	-	(3,815)
Extracurricular activities . . . . .	44,642	-	-	(44,642)
Interest and fiscal charges . . . . .	26	-	-	(26)
<b>Total governmental activities . . . . .</b>	<b>\$ 7,491,634</b>	<b>\$ 556,347</b>	<b>\$ 539,750</b>	<b>(6,395,537)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	2,480,030
Grants and entitlements not restricted to specific programs . . . . .	4,110,243
Investment earnings . . . . .	381,067
Miscellaneous . . . . .	35,864
<b>Total general revenues . . . . .</b>	<b>7,007,204</b>
Change in net assets . . . . .	611,667
<b>Net assets at beginning of year . . . . .</b>	<b>13,990,508</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 14,602,175</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 9,956,798	\$ 117,668	\$ 10,074,466
Receivables:			
Taxes . . . . .	2,562,523	-	2,562,523
Accounts . . . . .	1,905	-	1,905
Intergovernmental . . . . .	-	60,724	60,724
Accrued interest . . . . .	-	214	214
Interfund loans . . . . .	548	-	548
Advances to other funds . . . . .	500	-	500
Prepayments . . . . .	5,554	-	5,554
Materials and supplies inventory . . . . .	-	4,173	4,173
Total assets . . . . .	<u>\$ 12,527,828</u>	<u>\$ 182,779</u>	<u>\$ 12,710,607</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 24,405	\$ 309	\$ 24,714
Contracts payable . . . . .	160,126	-	160,126
Retainage payable . . . . .	6,672	-	6,672
Accrued wages and benefits . . . . .	607,809	12,187	619,996
Compensated absences payable . . . . .	104,313	-	104,313
Pension obligation payable . . . . .	76,321	9,140	85,461
Intergovernmental payable . . . . .	25,335	1,101	26,436
Interfund loans payable . . . . .	-	548	548
Advances from other funds . . . . .	-	500	500
Deferred revenue . . . . .	151,295	-	151,295
Unearned revenue . . . . .	2,212,229	-	2,212,229
Total liabilities . . . . .	<u>3,368,505</u>	<u>23,785</u>	<u>3,392,290</u>
<b>Fund balances:</b>			
Reserved for encumbrances . . . . .	488,251	3,407	491,658
Reserved for materials and supplies inventory . . . . .	-	4,173	4,173
Reserved for prepayments . . . . .	5,554	-	5,554
Reserved for property tax unavailable for appropriation . . . . .	198,999	-	198,999
Reserved for advances . . . . .	500	-	500
Unreserved, undesignated, reported in:			
General fund . . . . .	8,466,019	-	8,466,019
Special revenue funds . . . . .	-	151,414	151,414
Total fund balances . . . . .	<u>9,159,323</u>	<u>158,994</u>	<u>9,318,317</u>
Total liabilities and fund balances . . . . .	<u>\$ 12,527,828</u>	<u>\$ 182,779</u>	<u>\$ 12,710,607</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>	\$ 9,318,317
<i>Amounts reported for governmental activities on 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.	5,879,610
Other long-term assets (taxes) are not available to pay for current- period expenditures and therefore are deferred in the funds.	151,295
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	<u>(747,047)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 14,602,175</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 2,462,759	\$ -	\$ 2,462,759
Tuition. . . . .	-	53,388	53,388
Charges for services. . . . .	-	119,532	119,532
Earnings on investments. . . . .	411,087	214	411,301
Classroom materials and fees. . . . .	-	5,753	5,753
Customer service revenue. . . . .	122,472	-	122,472
Other local revenues. . . . .	278,232	6,522	284,754
Intergovernmental - Intermediate . . . . .	7,312	-	7,312
Intergovernmental - State. . . . .	4,375,578	88,023	4,463,601
Intergovernmental - Federal . . . . .	17,683	167,495	185,178
Total revenue . . . . .	<u>7,675,123</u>	<u>440,927</u>	<u>8,116,050</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	795,074	201	795,275
Special. . . . .	63,483	63,571	127,054
Vocational. . . . .	3,265,536	68,393	3,333,929
Adult/continuing . . . . .	-	3,254	3,254
Other. . . . .	5,341	-	5,341
Support services:			
Pupil. . . . .	931,541	4,329	935,870
Instructional staff . . . . .	419,347	26,884	446,231
Board of education . . . . .	26,008	-	26,008
Administration. . . . .	246,018	10,073	256,091
Fiscal . . . . .	226,277	-	226,277
Business . . . . .	25,104	-	25,104
Operations and maintenance. . . . .	1,002,755	-	1,002,755
Central. . . . .	112,359	6,000	118,359
Operation of non-instructional services:			
Food service operations . . . . .	-	241,100	241,100
Other non-instructional services. . . . .	45,919	-	45,919
Extracurricular activities . . . . .	44,642	-	44,642
Facilities acquisition and construction . . . . .	6,670	-	6,670
Debt service:			
Principal retirement . . . . .	2,480	-	2,480
Interest and fiscal charges . . . . .	26	-	26
Total expenditures . . . . .	<u>7,218,580</u>	<u>423,805</u>	<u>7,642,385</u>
Excess of revenues over expenditures. . . . .	<u>456,543</u>	<u>17,122</u>	<u>473,665</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	10,000	10,000
Transfers (out). . . . .	(10,000)	-	(10,000)
Sale of capital assets. . . . .	500	-	500
Total other financing sources (uses) . . . . .	<u>(9,500)</u>	<u>10,000</u>	<u>500</u>
Net change in fund balances . . . . .	447,043	27,122	474,165
<b>Fund balances at beginning of year . . . . .</b>	<u>8,712,280</u>	<u>131,872</u>	<u>8,844,152</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 9,159,323</u>	<u>\$ 158,994</u>	<u>\$ 9,318,317</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<b>Net change in fund balances - total governmental funds</b>	\$	474,165
<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 capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 425,255	
Current year depreciation	<u>(274,363)</u>	
Total		150,892
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
Capital asset disposals	(20,000)	
Accumulated depreciation on disposals	<u>10,188</u>	
Total		(9,812)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	17,271	
Accrued interest	<u>(30,020)</u>	
Total		(12,749)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		2,480
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>6,691</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>611,667</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,694,368	\$ 2,694,368	\$ 2,380,941	\$ (313,427)
Earnings on investments. . . . .	218,783	218,783	455,811	237,028
Customer service revenue. . . . .	150,000	150,000	122,472	(27,528)
Other local revenues . . . . .	120,000	120,000	277,008	157,008
Intergovernmental - Intermediate . . . . .	30,000	30,000	8,000	(22,000)
Intergovernmental - State . . . . .	3,977,717	3,977,717	4,375,578	397,861
Intergovernmental - Federal . . . . .	-	-	17,683	17,683
Total revenue . . . . .	<u>7,190,868</u>	<u>7,190,868</u>	<u>7,637,493</u>	<u>446,625</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	719,421	719,421	731,927	(12,506)
Special. . . . .	11,898	11,898	61,373	(49,475)
Vocational. . . . .	3,734,722	3,729,722	3,245,361	484,361
Other. . . . .	-	-	5,341	(5,341)
Support services:				
Pupil. . . . .	1,046,344	1,046,344	944,978	101,366
Instructional staff . . . . .	541,704	541,704	465,841	75,863
Board of education . . . . .	66,559	66,559	26,287	40,272
Administration. . . . .	237,837	237,837	242,377	(4,540)
Fiscal . . . . .	225,261	225,261	227,839	(2,578)
Business . . . . .	18,000	18,000	27,610	(9,610)
Operations and maintenance. . . . .	902,991	902,991	1,435,545	(532,554)
Central. . . . .	80,500	80,500	113,590	(33,090)
Operation of non-instructional services:				
Other non-instructional services . . . . .	-	-	45,919	(45,919)
Extracurricular activities. . . . .	22,400	22,400	46,366	(23,966)
Facilities acquisition and construction. . . . .	671,000	671,000	6,670	664,330
Total expenditures . . . . .	<u>8,278,637</u>	<u>8,273,637</u>	<u>7,627,024</u>	<u>646,613</u>
Excess of revenues over (under) expenditures. . . . .	<u>(1,087,769)</u>	<u>(1,082,769)</u>	<u>10,469</u>	<u>1,093,238</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	-	-	5,352	5,352
Transfers (out) . . . . .	(20,000)	(20,000)	(10,000)	10,000
Advances in. . . . .	100,000	100,000	8,737	(91,263)
Advances (out) . . . . .	(100,000)	(100,000)	(2,678)	97,322
Sale of capital assets. . . . .	-	-	500	500
Total other financing sources (uses) . . . . .	<u>(20,000)</u>	<u>(20,000)</u>	<u>1,911</u>	<u>21,911</u>
Net change in fund balance . . . . .	(1,107,769)	(1,102,769)	12,380	1,115,149
<b>Fund balance at beginning of year. . . . .</b>	<b>8,929,369</b>	<b>8,929,369</b>	<b>8,929,369</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>340,824</b>	<b>340,824</b>	<b>340,824</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<u><b>\$ 8,162,424</b></u>	<u><b>\$ 8,167,424</b></u>	<u><b>\$ 9,282,573</b></u>	<u><b>\$ 1,115,149</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 10,973	\$ 22,738
Total assets. . . . .	10,973	\$ 22,738
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 45
Due to students . . . . .	-	22,693
Total liabilities . . . . .	-	\$ 22,738
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	10,973	
Total net assets . . . . .	\$ 10,973	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Contributions and donations. . . . .	\$ 8,674
<b>Deductions:</b>	
Scholarships awarded . . . . .	5,000
Change in net assets . . . . .	3,674
<b>Net assets at beginning of year . . . . .</b>	<b>7,299</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 10,973</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Stark County Area Vocational Board of Education was formed on June 30, 1970. Stark County Area Vocational School District (the "District") is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school. The District includes six member schools: Brown Local, Fairless Local, Louisville City, Minerva Local, Northwest Local and Tuslaw Local.

The District operates under a seven-member Board of Education consisting of 1 member from each member school's board of education and 1 additional rotating member allowing each member school to have 2 members every 7 years. The District provides educational services as authorized and mandated by State or federal agencies. The District employs 23 non-certified and 55 certified employees to provide services to approximately 501 students.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATION*

The District is a member of the Stark-Portage Area Computer Consortium (SPARCC), a jointly governed organization, which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of approximately 31 member districts. However, SPARCC is primarily governed by a five-member executive board, which is made up of two representatives from Stark County, two from Portage County and a Treasurer. The Board meets monthly to address any current issues.

*INSURANCE PURCHASING POOL*

The Stark County Schools Council of Government (the "Council") is governed by an assembly, which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program, which is a shared risk pool comprised of 15 Stark County school districts.

The Council also sponsors a workers' compensation group rating plan, which is an insurance purchasing pool.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

*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 balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) grants and other resources whose use is restricted to a particular purpose; and (b) for food service operations.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and District agency services.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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 District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable is as follows:

1. On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.
2. By no later than January 20, the alternate tax budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures for all funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.
5. Any revisions that alter the total fund expenditures must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. All supplemental appropriations were legally enacted by the Board during fiscal 2008. The amounts reported in the budgetary statement reflect the original and final appropriations approved by the Board of Education during fiscal 2008.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to federal agency securities and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$411,087, which includes \$6,931 assigned from other funds.

For presentation on the basic 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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Capital Assets**

General capital assets are those assets specifically related to activities reported in the governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District’s capitalization threshold is \$5,000. 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. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	15 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 15 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “advances to/from other funds” and are included in fund balance reserves since they do not represent available expendable resources. These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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 expected to be paid using expendable available resources upon the occurrence of relevant events. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences 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.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, advances and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

The preparation of the basic financial statements in conformity with GAAP 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.

**P. Interfund Activity**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2008, the District had no extraordinary or special items.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 6,549
Management information systems	73
Improving teacher quality	8
Miscellaneous federal grants	20

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date 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 interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$572,957. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$513,615 of the District's bank balance of \$613,615 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ <u>9,535,220</u>	\$ <u>9,535,220</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ <u>9,535,220</u>	<u>100.00</u>

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash and Investments to the Financial Statements**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the financial statements as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 572,957
Investments	<u>9,535,220</u>
Total	<u>\$ 10,108,177</u>
<u>Cash and investments per financial statements</u>	
Governmental activities	\$ 10,074,466
Private-purpose trust fund	10,973
Agency funds	<u>22,738</u>
Total	<u>\$ 10,108,177</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 548

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Nonmajor governmental funds	\$ 10,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- C. Interfund balances at June 30, 2008 as reported on the fund statements consist of the following long-term advances receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 500

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. The long-term interfund balances are not expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was \$198,999 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$117,181 in the general fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,128,150,350	90.62	\$ 1,265,176,320	94.81
Public utility personal	46,616,470	3.75	39,523,720	2.96
Tangible personal property	<u>70,171,777</u>	<u>5.63</u>	<u>29,708,001</u>	<u>2.23</u>
Total	<u>\$ 1,244,938,597</u>	<u>100.00</u>	<u>\$ 1,334,408,041</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$2.00		\$2.00	

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 2,562,523
Accounts	1,905
Intergovernmental	60,724
Accrued interest	<u>214</u>
Total	<u>\$ 2,625,366</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/08</u>
<b>Governmental activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 144,865	\$ -	\$ -	\$ 144,865
Construction in progress	<u>33,461</u>	<u>166,798</u>	<u>(33,461)</u>	<u>166,798</u>
Total capital assets, not being depreciated	<u>178,326</u>	<u>166,798</u>	<u>(33,461)</u>	<u>311,663</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	9,727,949	124,169	-	9,852,118
Furniture and equipment	1,562,964	142,572	(20,000)	1,685,536
Vehicles	<u>95,046</u>	<u>25,177</u>	<u>-</u>	<u>120,223</u>
Total capital assets, being depreciated	<u>11,385,959</u>	<u>291,918</u>	<u>(20,000)</u>	<u>11,657,877</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(5,069,387)	(193,773)	-	(5,263,160)
Furniture and equipment	(689,165)	(73,847)	10,188	(752,824)
Vehicles	<u>(67,203)</u>	<u>(6,743)</u>	<u>-</u>	<u>(73,946)</u>
Total accumulated depreciation	<u>(5,825,755)</u>	<u>(274,363)</u>	<u>10,188</u>	<u>(6,089,930)</u>
Governmental activities capital assets, net	<u>\$ 5,738,530</u>	<u>\$ 184,353</u>	<u>\$ (43,273)</u>	<u>\$ 5,879,610</u>

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Vocational	\$ 132,831
<u>Support services:</u>	
Pupil	55,950
Instructional staff	8,457
Administration	1,691
Fiscal	1,691
Operations and maintenance	71,665
Central	459
Operation of non-instructional	896
Food service operations	<u>723</u>
Total depreciation expense	<u>\$ 274,363</u>

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

During a prior fiscal year, the District entered into a capital lease agreement for copiers. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the least term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of copiers have been capitalized in the amount of \$61,922. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was \$60,890 leaving a current book value of \$1,032.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2008 fiscal year totaled \$2,480 and \$26, respectively. These amounts are reported as debt service payments of the general fund on the fund financial statements. The District has no remaining capital lease obligations at June 30, 2008.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences payable	\$ 753,738	\$ 132,439	\$ (34,817)	\$ 851,360	\$ 136,133
Capital lease obligation	<u>2,480</u>	<u>-</u>	<u>(2,480)</u>	<u>-</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>\$ 756,218</u>	<u>\$ 132,439</u>	<u>\$ (37,297)</u>	<u>\$ 851,360</u>	<u>\$ 136,133</u>

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund.

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$117,147,526 and an unvoted debt margin of \$1,301,639.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 345 days. Upon retirement, payment is made for 25% of the total sick leave accumulation, up to a maximum accumulation of 72 days severance pay at the daily rate of the employee.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 11 - EMPLOYEE BENEFITS - (Continued)**

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Government Health Benefits Program.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the District contracted with Indiana Insurance for all insurance. Buildings are 90% co-insured. A summary of coverage provided are as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings, Contents and Boiler	\$22,906,100	\$ 5,000
Automobile Liability	1,000,000	0
Uninsured Motorists	50,000	0
General Liability:		
Per Occurrence	1,000,000	1,000
Aggregate	2,000,000	
Excess Liability	5,000,000	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

**B. Employee Health, Dental and Vision**

The District has contracted with the Stark County Schools Council of Government (Council) Health Benefits Program to provide employee medical/surgical, dental and vision benefits. The Council's Health Benefits Program is a shared risk pool comprised of 15 Stark County Districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting District subsequent to the settlements of all expenses and claims. The District pays 90% of the premium for medical and dental coverage and 100% of the premium for vision coverage. Employees pay the remaining 10% of the premium for medical and dental coverage. The following amounts were paid by the District in fiscal year 2008:

	<u>Family</u>	<u>Single</u>
Medical	\$969.63	\$399.15
Dental	125.03	50.68
Vision	26.54	10.68

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

The District also participates in a program within the Council to obtain workers' compensation coverage. This program is administered by Comp Management, Inc. The experience rating of each of the participating districts is calculated as one experience rate and applied to all participants in the program. Premiums paid to the State are based on this calculation. Total savings are then determined and each participant's performance is compared to the overall savings percentage of the program. The districts will then either receive money back or be required to contribute additional money to the program. This process insures that each participant pays an equitable share of the cost.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$65,156, \$71,232 and \$62,763, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 13 - PENSION PLANS - (Continued)**

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$441,850, \$430,019 and \$475,869, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$782 made by the District and \$5,149 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$43,178, \$36,354 and \$34,768, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$4,695, \$4,844 and \$4,995, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$33,988, \$33,078 and \$36,605, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.



**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) 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 basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advance-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	<u>General fund</u>
Budget basis	\$ 12,380
Net adjustment for revenue accruals	37,630
Net adjustment for expenditure accruals	(265,781)
Net adjustment for other sources/uses	(11,411)
Adjustment for encumbrances	<u>674,225</u>
GAAP basis	<u>\$ 447,043</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2008.

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 16 - CONTINGENCIES - (Continued)**

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2007	\$ (1,295,053)	\$ -
Current year set-aside requirement	89,806	89,806
Qualifying disbursements	<u>(260,261)</u>	<u>(505,739)</u>
Total	<u>\$ (1,465,508)</u>	<u>\$ (415,933)</u>
Balance carried forward to FY 2009	<u>\$ (1,465,508)</u>	<u>\$ -</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbook/instructional materials reserve. This extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to next fiscal year.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.



# Mary Taylor, CPA

Auditor of State

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

Stark County Area Vocational School District  
Stark County  
6805 Richville Drive SW  
Massillon, Ohio 44646

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We also noted certain matters that we reported to the District's management in a separate letter dated March 12, 2009.

### **Compliance and Other Matters**

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

We intend this report solely for the information and use of management and the Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 12, 2009



**Mary Taylor, CPA**  
Auditor of State

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT**

**STARK 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  
APRIL 7, 2009**