



**LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LICKING COUNTY**

SINGLE AUDIT

FOR FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Licking County Joint Vocational School District
Licking County
150 Price Road
Newark, Ohio 43055

We have audited the accompanying financial statements of the Licking County Joint Vocational School District, Licking County, Ohio, (the District) as of and for the year ended June 30, 1999. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-01 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the Licking County Joint Vocational School District, Licking County, Ohio as of June 30, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit for the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

January 4, 2000

**COMBINED STATEMENT OF CASH, INVESTMENTS, AND FUND
CASH BALANCES - ALL FUND TYPES
AS OF JUNE 30, 1999**

Cash	\$2,156,492
Investments	1,410,357
Total	\$3,566,849

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$1,511,317
Special Revenue Funds	178,152
Capital Project Funds	1,211,221
Proprietary Funds:	
Enterprise Funds	264,460
Internal Service Funds	334,668
Fiduciary Funds:	
Expendable Trust Fund	25,569
Agency Funds	41,462
Total	\$3,566,849

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUNDS AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Fiduciary Fund Types	(Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	Total
Receipts:					
Receipts from Local Sources					
Taxes	\$3,918,918	\$0	\$0	\$0	\$3,918,918
Tuition	4,255	0	0	0	4,255
Earnings on Investments	118,925	0	68,143	245	187,313
Extracurricular Activities	0	24,704	0	0	24,704
Classroom Materials and Fees	10,705	0	0	0	10,705
Miscellaneous	44,747	26,618	0	11,115	82,480
Receipts from State Sources					
Unrestricted Grants in Aid	2,770,369	74,490	0	0	2,844,859
Restricted Grants in Aid	70,500	128,701	46,269	0	245,470
Receipts from Federal Sources					
Restricted Grants in Aid	0	568,798	224,431	0	793,229
Total Receipts	6,938,419	823,311	338,843	11,360	8,111,933
Disbursements:					
Instruction					
Regular	854,771	0	0	0	854,771
Vocational Education	2,264,205	128,500	178,041	0	2,570,746
Adult/Continuing	73,780	326,555	167,859	1,741	569,935
Support Services					
Pupils	584,875	163,424	0	905	749,204
Instructional Staff	565,594	101,989	0	0	667,583
Board of Education	23,398	0	0	0	23,398
Administration	501,930	24,449	0	0	526,379
Fiscal Services	352,491	6,363	0	0	358,854
Business	41,159	0	0	1,152	42,311
Operation and Maintenance-Plant	902,255	0	0	0	902,255
Pupil Transportation	17,538	0	0	0	17,538
Central	81,883	86,241	36,550	0	204,674
Operation of Non-Instructional Services					
Other Operations of Non-Instructional Services	0	0	0	550	550
Extracurricular Activities					
Academic & Subject Oriented Activities	39,146	3,699	0	0	42,845
Co-Curricular Activities	0	18,232	0	0	18,232
Facilities Acquisition and Construction Services					
Site Improvement	2,016	0	146,607	0	148,623
Building Acquisition and Construction	0	0	36,370	0	36,370
Other Facilities Acquisition and Construction	0	0	39,166	0	39,166
Total Disbursements	6,305,041	859,452	604,593	4,348	7,773,434
Excess of Receipts Over/(Under) Disbursements	633,378	(36,141)	(265,750)	7,012	338,499
Other Financing Sources/(Uses):					
Sale and Loss of Assets	15,581	0	0	0	15,581
Transfers-In	81,162	35,445	46,427	0	163,034
Refund of Prior Year Disbursements	468	0	0	0	468
Transfers-Out	(175,960)	0	0	0	(175,960)
Total Other Financing Sources/(Uses)	(78,749)	35,445	46,427	0	3,123
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	554,629	(696)	(219,323)	7,012	341,622
Beginning Fund Balance	956,688	178,848	1,430,544	18,557	2,584,637
Ending Fund Balance (See Footnote 8)	<u>\$1,511,317</u>	<u>\$178,152</u>	<u>\$1,211,221</u>	<u>\$25,569</u>	<u>\$2,926,259</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND OTHER FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Types	(Memorandum Only)
	Enterprise	Internal Service	Agency	Total
Operating Receipts:				
Tuition	\$508,358	\$0	\$0	\$508,358
Food Services	150,140	0	0	150,140
Extracurricular Activities	0	0	77,074	77,074
Classroom Materials and Fees	153,874	0	0	153,874
Total Operating Receipts	812,372	0	77,074	889,446
Operating Disbursements:				
Personal Services - Salaries	679,216	325,816	0	1,005,032
Employees' Retirement and Insurance	185,394	118,503	0	303,897
Purchased Services	85,776	262,814	49,784	398,374
Supplies and Materials	333,383	86,243	65,273	484,899
Capital Outlays	32,396	346,970	0	379,366
Other Objects	3,697	14,986	0	18,683
Total Operating Disbursements	1,319,862	1,155,332	115,057	2,590,251
Excess of Operating Receipts Over/(Under) Operating Disbursements	(507,490)	(1,155,332)	(37,983)	(1,700,805)
Non-Operating Receipts:				
Miscellaneous	165,845	787,975	0	953,820
State Sources				
Unrestricted Grants in Aid	311,688	0	0	311,688
Restricted Grants in Aid	4,930	399,649	0	404,579
Federal Sources				
Unrestricted Grants in Aid	4,953	0	0	4,953
Restricted Grants in Aid	267	0	49,784	50,051
Total Non-Operating Receipts	487,683	1,187,624	49,784	1,725,091
Non-Operating Disbursements:				
Pass-through	0	127,561	0	127,561
Total Non-Operating Disbursements	0	127,561	0	127,561
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(19,807)	(95,269)	11,801	(103,275)
Operating Transfers-In	12,926	0	0	12,926
Net Excess of Receipts Over/(Under) Disbursements	(6,881)	(95,269)	11,801	(90,349)
Beginning Fund Balance	271,341	429,937	29,661	730,939
Ending Fund Balance	\$264,460	\$334,668	\$41,462	\$640,590

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

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$6,566,063	\$7,035,630	\$469,567
Special Revenue	988,388	\$858,756	(129,632)
Capital Projects	664,457	\$385,270	(279,187)
Proprietary			
Enterprise	1,480,844	1,312,981	(167,863)
Internal Service	1,175,413	1,187,624	12,211
Fiduciary			
Expendable Trust	<u>12,106</u>	<u>11,360</u>	<u>(746)</u>
Total (Memorandum Only)	<u>\$10,887,271</u>	<u>\$10,791,621</u>	<u>(\$95,650)</u>

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

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Fiscal Year Appropriations</u>	<u>Total</u>	<u>Fiscal Year Disbursements</u>	<u>Encumbrances Outstanding At 06/30/99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental							
General	\$183,659	\$6,403,656	\$6,587,315	\$6,481,001	\$95,047	\$6,576,048	\$11,267
Special Revenue	151,154	894,383	1,045,537	859,452	124,175	983,627	61,910
Capital Projects	277,936	1,633,391	1,911,327	604,593	28,671	633,264	1,278,063
Proprietary							
Enterprise	12,511	1,692,119	1,704,630	1,319,862	25,915	1,345,777	358,853
Internal Service	283,782	1,135,406	1,419,188	1,282,893	60,328	1,343,221	75,967
Fiduciary							
Expendable Trust	387	10,804	11,191	4,348	68	4,416	6,775
Total (Memorandum Only)	<u>\$909,429</u>	<u>\$11,769,759</u>	<u>\$12,679,188</u>	<u>\$10,552,149</u>	<u>\$334,204</u>	<u>\$10,886,353</u>	<u>\$1,792,835</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of The Entity

The Licking County Joint Vocational School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is defined under Section 3311.18, Revised Code. The District operates under the direction of a seven member elected Board of Education and is responsible for the provisions of public education to residents of the District.

In addition to the authority statutorily provided to the District, by agreement the Treasurer of the District serves as fiscal agent for the Licking Area Computer Association (LACA). Under the basis of accounting utilized, LACA's activity is reflected in the Internal Service Fund.

Average daily membership (ADM) as of June 30, 1999, was 610. The District employed 93 certificated employees and 26 non-certificated employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-01(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

C. Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

Capital Projects Fund

To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Enterprise Funds

To account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Internal Service Funds

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Expendable Trust and Agency Funds

To account for assets held by a governmental unit in a trustee capacity for individuals, private organizations, other funds and/or governmental units.

D. Budgetary Process

Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by January 20 of each year, for the subsequent July 1 to June 30 fiscal year.

Estimated Resources

The county budget commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process (continued)

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The District did not pass the permanent appropriation measure until May 25, 1999 and expenditures exceeded appropriations in several funds at June 30, 1999.

Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Property, Plant And Equipment

Fixed assets acquired or constructed for the District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

F. Accumulated Unpaid Vacation, Sick Leave, And Personal Leave

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting described in Note 1. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 1999.

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances" as "Cash Balances by Fund Type."

State law requires the classification of moneys held by the District into three categories:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Category 1 consists of "active" moneys, those moneys required to be kept in a "cash" or "near-cash" status for immediate use by the District. Such moneys must be maintained either as cash in the District's treasury or in depository accounts payable or withdrawable on demand, negotiable order of withdrawal (NOW) accounts, or money market deposit accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current two year period of designation of depositories. Inactive moneys may be held in deposits or investments maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" moneys, those moneys which are redeemable within two years from the date of purchase, not to exceed the end of the current period of depositories. Interim moneys may be invested or deposited, pursuant to Section 135.14 and 135.45, Revised Code, in the following securities:

- A. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest thereon;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
- C. Interim deposits in the eligible institutions applying for interim moneys as provided in Section 135.08 of the Revised Code. The award of interim deposits shall be made in accordance with Section 135.09 of the Revised Code and the treasurer or governing board shall determine that periods for which such interim deposits are to be made and shall award such interim deposits for such periods, provided that any eligible institution receiving an interim deposit award may, upon notification that the award has been made decline to accept the interim deposit in which event the award shall be made as though such institution had not applied for such interim deposit;
- D. Bonds or other obligations of the state of Ohio;
- E. No-load money market mutual funds consisting exclusively of obligations described in division (A) or (B) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code.
- F. The State Treasurer's investment pool (STAR).
- G. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Governmental Accounting Standards Board (GASB) Statement No. 3 has established risk categories for deposits as follows:

- Category 1 - Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Category 2 - Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Deposits that are uncollateralized or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the District's name.

Deposits At fiscal year-end, the carrying amount of the District's deposits was \$2,156,492 and the bank balance of \$2,577,683 was fully insured by federal depository insurance (FDIC) or collateralized with securities held by the pledging institution or its trust department or agent but not in the District's name.

Investments The Governmental Accounting Standards Board (GASB) Statement No. 3 has established risk categories for investments as follows:

Category 1 - Investments that are insured or registered, or securities held by the District or its agent in the District's name;

Category 2 - Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name;

Category 3 - Investments that are uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the District's name.

Based on the above criteria, the District investments at June 30, 1999 are classified as follows:

Investments:	Category	Carrying	Market
Repurchase	<u>3</u>	<u>Amount</u>	<u>Value</u>
Agreement	<u>\$1,410,357</u>	<u>\$1,410,357</u>	<u>\$1,410,357</u>

3. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised values. The county auditors reappraise all real property every six years with a triennial update. The last reappraisal was complete for Licking County in tax year 1993.

Real property taxes become a lien on all non-exempt real property located in the counties on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for tax year 1997 were \$2.00 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$2.00 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$2.00 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

3. PROPERTY TAX (continued)

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 1998 \$2.00 per \$1,000 of assessed valuation.

Real Property - 1998 Valuation	
Residential/Agricultural	\$1,461,305,000
Commercial/Industrial	321,696,890
Minerals	2,046,490
P.U. Real Property	971,200
Tangible Personal Property - 1998 Valuation	
General	234,013,717
Public Utilities	155,617,230
Total Valuation	<u>\$2,175,650,527</u>

The County Treasurers collects property tax on behalf of all taxing districts within the county. The County Auditors periodically remits to the taxing districts their portion of the taxes collected.

4. RISK MANAGEMENT

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 ending June 30, 1999, the District contracted with various insurance companies for property and general liability insurance, including criminal, mechanical, electrical and pressure equipment, inland marine, and fleet coverage.

Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 salaries. This rate is calculated based on accident history and administrative costs.

5. RETIREMENT SYSTEMS

State Teachers Retirement System of Ohio

The State Teachers Retirement System of Ohio (STRS) is a state operated, cost-sharing, multiple-employer public employee retirement system. Full-time certified teachers of the Licking County Joint Vocational School District belong to STRS. Teachers who are retained on personal service contracts do not participate. STRS provides retirement benefits to vested employees who are eligible to retire based upon years of service. STRS also provides survivor and disability benefits to vested employees.

Employees contribute 9.30% of gross pay. The employer matching share is 14.0% of gross pay. The pension contribution for the District for the fiscal year ended June 30, 1999, was \$1,021,143 which consisted of \$386,824 from employees and \$634,319 from the employer. The required percentages for employer and employee contributions for the next fiscal year will be unchanged.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

5. RETIREMENT SYSTEMS (Continued)

School Employees Retirement System of Ohio

The School Employees Retirement System of Ohio (SERS) is a state operated, cost-sharing, multiple-employer public employee retirement system. Full-time permanent, non-certified employees of the Licking County Joint Vocational School District belong to SERS. SERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. SERS also provides survivor and disability benefits to vested employees.

Employees contribute 9.0% of gross pay. The employer matching share is 14.0% of gross pay. The pension contribution for the District for the fiscal year ended June 30, 1999, was \$267,652, which consisted of \$94,173 from employees and \$173,479 from the employer. The required percentages for employer and employee contributions for the next fiscal year will be unchanged.

6. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$86,667 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of January 4, 2000, The Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

7. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

7. SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

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

	<u>Textbook Acquisition</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set aside Cash Balance as of June 30, 1998	\$0	\$0	\$47,114	\$47,114
Current Year Set-Aside Requirement	110,992	110,992	55,496	277,480
Qualifying Disbursements	<u>(190,133)</u>	<u>(162,371)</u>	<u>0</u>	<u>(352,504)</u>
Total	<u>(\$79,141)</u>	<u>(\$51,379)</u>	<u>\$102,610</u>	<u>(\$27,910)</u>
Cash Balance Carried Forward to FY2000	<u>\$0</u>	<u>\$0</u>	<u>\$102,610</u>	

Although the District had additional qualifying disbursements during the year that reduced the set aside amounts below zero, these extra amounts may not be used to reduce the set aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

8. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

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

Property tax billing, collection, and remittance for the District is handled by Licking County. The County is responsible for remediating this system, and is solely responsible for any associated costs.

The District utilized a third party administrator organization to provide computer services (EDP processing). In addition, its banking institution provides financial transactions for the District. The

District has obtained assurances from these organizations or institutions regarding remediation of these systems. These organizations or institutions are responsible for remediating these systems, and are solely responsible for the associated costs.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems and is solely responsible for any associated costs.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

8. YEAR 2000 ISSUE (continued)

To the best of management's knowledge and belief, as of January 4, 2000 the District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED June 30, 1999
(Cash Basis)**

Federal Grantor Agency/ Pass-Through Agency/ Grant Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
Pass through Ohio Department of Education				
Adult Education - State Grant Program	AB-S1-98	84.002	13,036	42,273
	AB-S1-98C		10,000	5,453
	AB-S1-99		<u>65,195</u>	<u>141,620</u>
Total Adult Education - State Grant Program			88,231	189,346
Vocational Education - Basic Grants to States	20-A4-98	84.048	3,353	3,353
	20-A5-97		80,037	80,037
	20-A5-99		50,263	50,263
	20-C1-98		3,830	64,228
	20-C1-99		250,129	217,964
	20-C2-98		6,489	2,163
	-		48,105	79,691
	20-C2-99		<u>38,050</u>	<u>44,765</u>
Total Vocational Education - Basic Grants to States			480,256	542,464
Safe and Drug-Free Schools and Communities-State Grants	-	84.186	0	1,918
Innovative Education Program Strategies	C2-S1-96	84.298	0	2,454
Tech-Prep Education	E3-00-99	84.243	139	139
	-		4,814	4,153
Total Tech-Prep Education			4,953	4,292
Direct From Grantor				
Federal Pell Grant Program	N/A	84.063	49,784	49,784
Total United States Department of Education			<u>623,224</u>	<u>790,258</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass through Ohio Department of Education				
Family Support ACT/JOBS	JB-S1-97	93.561	310	0
U.S. DEPARTMENT OF LABOR				
Pass through Ohio Department of Education				
Employment Services and Job Training Pilot and Demonstration Programs	WK-BE-98	17.249	224,431	204,409
Total Schedule of Federal Awards Receipts and Expenditures			<u>\$847,965</u>	<u>\$994,667</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this schedule

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND
EXPENDITURES FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Board of Education
Licking County Joint Vocational School District
Licking County
150 Price Road
Newark, Ohio 43055

We have audited the financial statements of the Licking County Joint Vocational School District, Licking County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 4, 2000, wherein we noted that the District continues to use the cash basis of accounting formerly prescribed by the Auditor of State. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-10645-001 through 1999-10645-003, and 1999-10645-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 4, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-10645-004 and 1999-10645-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 4, 2000.

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

JIM PETRO
Auditor of State

January 4, 2000



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

Board of Education
Licking County Joint Vocational School District
Licking County
150 Price Road
Newark, Ohio 43055

Compliance

We have audited the compliance of the Licking County Joint Vocational School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 4, 2000.

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

JIM PETRO
Auditor of State

January 4, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

JUNE 30, 1999

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

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

JUNE 30, 1999
(Continued)

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

Finding # 1999-10645-001

Ohio Admin. Code Section 117-2-01(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend that the District prepare its annual financial report in accordance with generally accepted accounting principles.

Finding # 1999-10645-002

Ohio Rev. Code Section 5705.38 states that the annual appropriation measure is to be passed on or about the first day of each fiscal year. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until October 1 by which time a permanent appropriation measure must be passed.

The District passed a temporary appropriations measure on July 28, 1998, and subsequently passed the permanent appropriations measure on May 25, 1999.

We recommend the District pass its temporary appropriation measure on or about the first day of the fiscal year. We also recommend that the District pass its permanent appropriation measure by October 1 of each fiscal year.

Finding # 1999-10645-003

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Disbursements exceeded appropriations in various special revenue funds, enterprise funds, and internal service funds at June 30, 1999. Disbursements exceeded appropriations in the New Start Fund by 11,761, the Teacher Development Block Grant fund by 3,449, the Job Club fund by 2,751, and the Special Rotary fund by 464.

Expenditures also exceeded appropriations at the object level, the District's legal level of budgetary control in several funds at July 31, November 30, and May 31.

By disbursing more expenditures than are being appropriated, the District runs the risk of possible negative fund balances.

We recommend that the District limit its expenditures to the amounts appropriated.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**JUNE 30, 1999
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)

Finding # 1999-10645-004

Student Fees

The District should establish student fee receipt processing procedures to allow for an adequate segregation of duties.

The District does not currently segregate the employee duties of accepting payments, issuing duplicate receipts, posting receipt transactions, and making bank deposits. Lack of adequate segregation of duties allows for the possibility of errors or irregularities.

We recommend that accounting functions relating to receiving, processing, depositing, and posting student fee receipt be segregated and periodically rotated among employees. We also recommend that the Treasurer monitor the receipt processing on a regular basis.

Finding # 1999-10645-005

Budgetary Statements

The District should post to its appropriation ledger those appropriations and appropriation modifications approved by the Board of Education to allow for monitoring of budgeted vs. actual expenditures. Likewise, the District should also post to its revenue ledger the estimated revenue amounts as certified by the County Budget Commission to allow for monitoring of budget vs. actual revenue.

The appropriations posted to the District's ledgers did not accurately reflect all appropriation amendments approved by the Board of Education throughout the fiscal year. Similarly, the estimated revenue posted to the District's revenue ledger did not accurately reflect the estimated revenue from the District's final Amended Certificate of Estimated Resources as certified by the County Budget Commission.

We recommend that the District accurately post all appropriation and estimated revenue amendments to its appropriation and revenue ledgers.

Finding # 1999-10645-006

Appropriations

All appropriation modifications approved by the Board of Education should be filed with the County Auditor, per Ohio Rev. Code Section 5705.39.

The District did not report all appropriation modifications to the County Auditor. Failure to report budgetary amendments could result in the District's appropriations exceeding estimated resources.

We recommend that the District certify all appropriations amendments to the County Budget Commission.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-10645-009	Final affidavit for adult education to states was filed late.	Fully corrected	not applicable



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LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

LICKING 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
FEBRUARY 1, 2000