

**Lorain County Joint Vocational School District
Audited Financial Statements
and Single Audit**

Fiscal Year Ended June 30, 1999

HAUSSER + TAYLOR LLP

Business advisors and certified public accountants

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LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Lorain County Joint Vocational School District
Oberlin, Ohio 44074

We have reviewed the Independent Auditor's Report of the Lorain County Joint Vocational School District, Lorain County, prepared by Hausser and Taylor LLP, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish.

JIM PETRO
Auditor of State

December 28, 1999



To the Board of Education
Lorain County Joint Vocational School District
Oberlin, Ohio 44074

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the Lorain County Joint Vocational School District as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lorain County Joint Vocational School District, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 1999, on our consideration of the District's internal control structure 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 general purpose financial statements of the Lorain County Joint Vocational School District taken as a whole. The accompanying schedule of expenditures of federal awards 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Hausser + Taylor LLP

Canton, Ohio
November 10, 1999

Lorain County Joint Vocational School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 1999

(With Comparative Totals at June 30, 1998)

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Types
	General	Special Revenue	Enterprise	Trust and Agency
ASSETS AND OTHER DEBITS				
Assets				
Cash and Cash Equivalents	\$2,787,678	\$96,398	\$874,034	\$24,623
Receivables:				
Taxes	6,828,150	0	0	0
Accounts	2,374	0	137,067	0
Accrued Interest	21,359	0	0	0
Intergovernmental Receivable	0	132,917	115,609	13,125
Intefund Receivable	151,778	0	0	0
Due from Employees	18,876	0	0	0
Inventory	61,951	0	91,958	0
Restricted Assets:				
Cash and Cash Equivalents	169,589	0	0	0
Fixed Assets	0	0	0	0
Other Debits:				
Amount To Be Provided for Capital Leases	0	0	0	0
Amount To Be Provided for Benefits	0	0	0	0
Total Assets	\$10,041,755	\$229,315	\$1,218,668	\$37,748
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities				
Accounts and Contracts Payable	\$191,439	\$4,084	\$25,294	\$3,691
Accrued Wages and Benefits	1,520,814	45,451	205,360	0
Deferred Revenue	5,861,483	0	32,014	0
Due to Students	0	0	0	30,891
Capital Leases Payable	0	0	0	0
Interfund Payable	0	151,778	0	0
Total Liabilities	7,573,736	201,313	262,668	34,582
Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Unreserved Retained Earnings	0	0	956,000	0
Fund Balance:				
Reserved for Encumbrances	437,647	4,979	0	0
Reserved for Inventory	61,951	0	0	0
Reserved for Property Tax Advance	986,854	0	0	0
Reserved for Budget Stabilization	169,589	0	0	0
Unreserved, Undesignated	811,978	23,023	0	3,166
Total Fund Equity	2,468,019	28,002	956,000	3,166
Total Liabilities, Equity and Other Credits	\$10,041,755	\$229,315	\$1,218,668	\$37,748

See Notes to General Purpose Financial Statements

<u>Account Groups</u>		<u>Totals</u>	
<u>General Fixed</u>	<u>General Long-Term</u>	<u>(Memorandum Only)</u>	
<u>Assets</u>	<u>Debt</u>	<u>1999</u>	<u>1998</u>
\$0	\$0	\$3,782,733	\$2,331,599
0	0	6,828,150	7,342,804
0	0	139,441	191,534
0	0	21,359	97
0	0	261,651	181,880
0	0	151,778	146,617
0	0	18,876	41,572
0	0	153,909	134,895
0	0	169,589	69,589
23,399,474	0	23,399,474	23,389,032
0	92,880	92,880	114,111
0	964,844	964,844	1,012,851
<u>\$23,399,474</u>	<u>\$1,057,724</u>	<u>\$35,984,684</u>	<u>\$34,956,581</u>
\$0	\$0	\$224,508	\$253,372
0	964,844	2,736,469	2,533,920
0	0	5,893,497	6,406,421
0	0	30,891	38,880
0	92,880	92,880	114,111
0	0	151,778	146,617
<u>0</u>	<u>1,057,724</u>	<u>9,130,023</u>	<u>9,493,321</u>
23,399,474	0	23,399,474	23,389,032
0	0	956,000	818,075
0	0	442,626	310,158
0	0	61,951	65,000
0	0	986,854	1,032,140
0	0	169,589	69,589
0	0	838,167	(220,734)
<u>23,399,474</u>	<u>0</u>	<u>26,854,661</u>	<u>25,463,260</u>
<u>\$23,399,474</u>	<u>\$1,057,724</u>	<u>\$35,984,684</u>	<u>\$34,956,581</u>

Lorain County Joint Vocational School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999
(With Comparative Totals at June 30, 1998)

	<u>Governmental Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Expendable</u> <u>Trust</u>	<u>1999</u>	<u>1998</u>
Revenues					
Taxes	\$6,954,169	\$0	\$0	\$6,954,169	\$6,985,164
Earnings on Investments	202,831	0	0	202,831	176,148
Classroom Materials and Fees	22,622	0	0	22,622	22,858
Intergovernmental	4,680,442	859,544	0	5,539,986	5,325,873
Other	61,591	68,437	904	130,932	266,217
Total Revenues	11,921,655	927,981	904	12,850,540	12,776,260
Expenditures					
<i>Current:</i>					
Regular and Vocational Instruction	6,604,832	281,661	0	6,886,493	7,228,133
Adult Education Instruction	0	133,454	0	133,454	169,151
Support Services:					
Pupil Services	428,790	212,089	0	640,879	873,867
Instructional Staff	378,434	131,092	0	509,526	454,137
Administration	794,307	10,526	0	804,833	838,441
Business and Fiscal Services	445,179	0	0	445,179	413,061
Plant Operation and Maintenance	1,513,073	0	0	1,513,073	1,595,430
Pupil Transportation	16,970	0	0	16,970	16,572
Central	291,685	86,429	0	378,114	601,873
Food Services	6,997	0	0	6,997	12,284
Community Services	0	59,821	0	59,821	256,000
Extracurricular	83,154	0	0	83,154	85,329
Capital Outlay	77,508	0	0	77,508	141,489
Other	54,000	0	0	54,000	98,814
Total Expenditures	10,694,929	915,072	0	11,610,001	12,784,581
Excess Revenues Over (Under) Expenditures	1,226,726	12,909	904	1,240,539	(8,321)
Other Financing Sources (Uses)					
Operating Transfers In	0	5,822	0	5,822	4,658
Operating Transfers Out	(30,822)	0	0	(30,822)	(29,658)
Inception of Capital Lease	0	0	0	0	121,607
Refund of Prior Year's Expenditure	30,544	0	0	30,544	87,859
Total Other Financing Sources (Uses)	(278)	5,822	0	5,544	184,466
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,226,448	18,731	904	1,246,083	176,145
Fund Balances at Beginning of Year	1,244,620	9,271	2,262	1,256,153	1,081,437
Decrease in Inventory	(3,049)	0	0	(3,049)	(1,429)
Fund Balances at End of Year	\$2,468,019	\$28,002	\$3,166	\$2,499,187	\$1,256,153

Lorain County Joint Vocational School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types
General Fund
 For the Fiscal Year Ended June 30, 1999

	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
Revenues					
Taxes	\$6,975,000	\$6,999,455		\$6,999,455	\$24,455
Earnings on Investments	192,000	192,370		192,370	370
Intergovernmental	4,680,000	4,680,442		4,680,442	442
Classroom Materials and Fees	22,500	22,622		22,622	122
Other	60,000	63,121		63,121	3,121
Total Revenues	\$11,929,500	\$11,958,010		11,958,010	28,510
Expenditures					
Current:					
Regular Instruction	800,000	710,313	\$8,415	718,728	81,272
Vocational, Adult and Other Instruction	6,600,000	5,842,320	286,825	6,129,145	470,855
Supporting Services:					
Pupil Services	500,000	415,982	23,562	439,544	60,456
Instructional Staff	400,000	363,946	1,580	365,526	34,474
Administration	800,000	730,229	32,821	763,050	36,950
Business and Fiscal Services	500,000	444,127	21,665	465,792	34,208
Plant Operation and Maintenance	1,800,000	1,452,043	182,487	1,634,530	165,470
Pupil Transportation	50,000	17,401	5,626	23,027	26,973
Central	400,000	308,592	35,641	344,233	55,767
Food Services	25,000	6,997	3,726	10,723	14,277
Extracurricular	125,000	98,021	2,511	100,532	24,468
Capital Outlay	125,000	75,978	24,227	100,205	24,795
Total Expenditures	12,125,000	10,465,949	\$629,086	11,095,035	1,029,965
Excess of Revenues Over (Under) Expenditures	(195,500)	1,492,061	(629,086)	862,975	1,058,475
Other Financing Sources (Uses)					
Advances In	98,000	98,116	0	98,116	116
Advances Out	(120,000)	(103,277)	0	(103,277)	16,723
Operating Transfers Out	(34,000)	(30,822)	0	(30,822)	3,178
Refund of Prior Year's Expenditures	30,479	30,544	0	30,544	65
Other Uses	(60,862)	(54,000)	0	(54,000)	6,862
Total Other Financing Sources (Uses)	(86,383)	(59,439)	0	(59,439)	26,944
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(281,883)	1,432,622	(\$629,086)	\$803,536	\$1,085,419
Fund Balances at Beginning of Year	1,526,445	1,526,445			
Fund Balances at End of Year	\$1,244,562	\$2,959,067			

See Notes to General Purpose Financial Statements

Lorain County Joint Vocational School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types
Special Revenue Funds
 For the Fiscal Year Ended June 30, 1999

	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
Revenues					
Intergovernmental	\$824,744	\$824,744		\$824,744	\$0
Other	68,437	68,437		68,437	0
Total Revenues	893,181	893,181		893,181	0
Expenditures					
Current:					
Vocational, Adult and Other Instruction	425,000	408,548	\$690	409,238	15,762
Supporting Services:					
Pupil Services	225,000	199,643	125	199,768	25,232
Instructional Staff	135,000	121,893	8,248	130,141	4,859
Administration	15,000	10,526	0	10,526	4,474
Central	90,000	86,863	0	86,863	3,137
Community Services	75,000	73,336	0	73,336	1,664
Total Expenditures	965,000	900,809	9,063	909,872	55,128
Excess of Revenues Over (Under) Expenditures	(71,819)	(7,628)	(9,063)	(16,691)	55,128
Other Financing Sources (Uses)					
Advances In	103,277	103,277	0	103,277	0
Advances Out	(104,930)	(98,116)	0	(98,116)	6,814
Operating Transfers In	5,822	5,822	0	5,822	0
Total Other Financing Sources (Uses)	4,169	10,983	0	10,983	6,814
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(67,650)	3,355	(\$9,063)	(\$5,708)	\$61,942
Fund Balances at Beginning of Year	93,043	93,043			
Fund Balances at End of Year	\$25,393	\$96,398			

See Notes to General Purpose Financial Statements

Lorain County Joint Vocational School District

Combined Statement of Revenues, Expenses
and Changes in Retained Earnings

Proprietary Fund Type

For the Year Ended June 30, 1999

(With Comparative Totals at June 30, 1998)

	Enterprise Fund	
	1999	1998
Operating Revenues		
Sales	\$399,194	\$458,521
Classroom Materials and Fees	<u>1,035,906</u>	<u>1,025,729</u>
Total Operating Revenues	1,435,100	1,484,250
Operating Expenses		
Salaries and Wages	903,095	819,083
Employees' Retirement and Insurance	237,831	224,793
Purchased Services	205,964	157,147
Supplies and Materials	509,725	462,964
Other	<u>41</u>	<u>27,740</u>
Total Operating Expenses	<u>1,856,656</u>	<u>1,691,727</u>
Operating Loss	(421,556)	(207,477)
Non-Operating Revenues		
Intergovernmental	<u>534,481</u>	<u>493,475</u>
Total Non-Operating Revenues	<u>534,481</u>	<u>493,475</u>
Income Before Operating Transfers	112,925	285,998
Operating Transfers		
Operating Transfers In	<u>25,000</u>	<u>25,000</u>
Total Operating Transfers	25,000	25,000
Net Income	<u>137,925</u>	<u>310,998</u>
Retained Earnings at Beginning of Year	<u>818,075</u>	<u>507,077</u>
Retained Earnings at End of Year	<u><u>\$956,000</u></u>	<u><u>\$818,075</u></u>

See Notes to General Purpose Financial Statements

Lorain County Joint Vocational School District

Combined Statement of Cash Flows

Proprietary Fund Type

For the Year Ended June 30, 1999

(With Comparative Totals at June 30, 1998)

	<u>Enterprise Fund</u>	
	<u>1999</u>	<u>1998</u>
Cash Flows From Operating Activities		
Operating Loss	(\$421,556)	(\$207,477)
Adjustments To Reconcile Net Loss		
To Net Cash Used In		
Operating Activities:		
(Increase) Decrease In Assets:		
Accounts Receivable	50,763	(74,062)
Intergovernmental Receivable	(49,046)	1,197
Inventories	(22,063)	(16,376)
Increase (Decrease) In Liabilities:		
Accounts Payable	(3,982)	20,850
Accrued Wages and Benefits Payable	34,029	38,334
Deferred Revenue	(24,151)	(20,088)
Total Adjustments	<u>(14,450)</u>	<u>(50,145)</u>
Net Cash Used In		
Operating Activities	(436,006)	(257,622)
Cash Flows From Non-Capital		
Financing Activities		
Transfers In	25,000	25,000
Intergovernmental Revenue	<u>534,481</u>	<u>493,475</u>
Net Cash Provided By Non-Capital		
Financing Activities	559,481	518,475
Net Increase in Cash and		
Cash Equivalents	123,475	260,853
Cash And Cash Equivalents,		
Beginning of Year	<u>750,559</u>	<u>489,706</u>
Cash And Cash Equivalents,		
Ending of Year	<u>\$874,034</u>	<u>\$750,559</u>

See Notes to General Purpose Financial Statements

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 1: Summary of Significant Accounting Policies

Reporting Entity: The Lorain County Joint Vocational School District (the District) is a school district corporation governed by an elected Board of Education. As required by generally accepted accounting principles, these financial statements present all funds and account groups of the primary government. The primary government consists of all funds, departments, boards, organizations, and agencies that are not legally separate for financial reporting purposes.

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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 on the foregoing criteria, the District has no component units.

Measurement Focus, Basis of Accounting and Basis of Presentation: The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The District has the following fund types and account groups:

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, if any, which is recognized when due, and certain

Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999

Note 1: Summary of Significant Accounting Policies - continued

compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property tax revenues, grant revenues, and interest revenues are susceptible to accrual.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. Proprietary funds include the enterprise funds which are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

The expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be expended.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 1: Summary of Significant Accounting Policies - continued

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Account groups: The general fixed assets account group is used to account for fixed assets not accounted for in proprietary or trust funds. The general long-term debt account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

Assets, Liabilities and Equity

Deposits and Investments: The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investment procedures are restricted by provisions of the Ohio Revised Code.

Purchased investments are valued at cost and do not effect fund equity when purchased or redeemed.

Receivables and Payables

Property taxes are levied and assessed on a calendar year basis. Property taxes include amounts levied against real, public utility, and tangible personal property located in the District.

Outstanding loans between funds are presented in these accompanying financial statements as interfund receivables and interfund payables.

Inventories

Inventories are valued at cost using the first in/first out method. The costs of governmental fund type inventories are recorded as expenditures when purchased. Governmental fund type inventories, on hand at year end, are offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of assets.

Proprietary fund type inventory costs are charged to operations when consumed.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 1: Summary of Significant Accounting Policies - continued

Fixed Assets

Fixed assets used in governmental fund types are recorded in the general fixed assets account group at cost or estimated historical cost when purchased or constructed. Assets in the general fixed assets account group are not depreciated.

Infrastructure, such as driveways, parking lots, landscaping, and other assets that are immovable and of value only to the District are not capitalized.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not included in the general fixed assets account group.

Compensated Absences

Compensated absences are reported in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will probably be paid as a termination benefit.

For governmental funds, vacation and sick leave benefits expected to be paid with expendable available resources are recorded as fund liabilities. The remainder is reported in the general long-term debt account group. In proprietary funds, vacation and sick leave benefits expected to eventually be paid are reported as fund liabilities.

The criteria for determining vacation and sick leave are derived from negotiated agreements and State laws. Administrators and non-certificated employees earn ten to twenty-five days vacation annually depending on length of service. Accumulated unpaid vacation is paid to employees upon termination of employment. Certificated employees do not earn vacation.

Employees earn sick leave at the rate of one and one-fourth days per month and may accumulate up to 300 days for administrators and 250 days for all others. Upon retirement, employees receive a portion of their total sick leave accumulation.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 1: Summary of Significant Accounting Policies - continued

Fund Balance Reserves: The District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes and budget stabilization. Under Ohio law, the reserve for budget stabilization must be established for certain revenues but is not expendable without permission of the Ohio Department of Education.

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance, 7/1/1998	\$ 0	\$ 0	\$ 69,589	\$ 69,589
Required Set-Aside	198,209	198,209	100,000	496,418
Offset Credits	0	0	0	0
Qualifying Expenditures	<u>(198,209)</u>	<u>(198,209)</u>	<u>0</u>	<u>(396,418)</u>
Balance, 6/30/1999	\$ <u>0</u>	\$ <u>0</u>	\$ <u>169,589</u>	\$ <u>169,589</u>

Expenditures for capital activity during the year were \$396,418, which exceeded the required set-aside and the reserve balance.

Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund elimination's have not been made in the aggregation of this data.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 2: Stewardship, Compliance and Accountability

The Board of Education is required, by Ohio Revised Code, to adopt an annual budget for all funds except agency, in accordance with the following:

Budget: A budget of estimated cash receipts and disbursements is adopted by January 15 and submitted to the county auditor, as secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources: The County Budget Commission certifies its actions to the District. 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 fiscal year end, the District must revise its budget so that the total contemplated expenditures from a fund during the 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 "Combined Statement of Receipts, Budget and Actual - All Fund Types", do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported in the budgetary statements reflect the final budget figures.

Appropriations: Appropriations may be defined as expenditure authorization and are synonymous with budget within the Budget and Actual presentations. A temporary appropriation measure to control the cash disbursements may be passed prior to passage of the annual appropriation measure. An annual appropriation measure must be passed for the current fiscal year. The appropriation measure may be amended or supplemented during the year as new information becomes available. Management has Board of Education approval to amend or supplement appropriations so long as appropriations do not exceed available resources at the fund level. Several amendments and supplements were enacted during the fiscal year. The amounts reported in the budgetary statements reflect final amended appropriations. Appropriations may not exceed estimated resources and expenditures plus encumbrances may not exceed appropriations at the fund level.

Encumbrances: The District is required to use, by Ohio law, the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 2: Stewardship, Compliance and Accountability - continued

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. Encumbrances at year end have been presented as reserves of fund balances.

Budgetary Basis of Accounting: The District's budgetary process is based upon accounting for transactions on the cash (budget) basis. The difference between cash basis (budgetary basis) and the accrual and modified accrual (GAAP) basis are that revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>
GAAP Basis	\$ 1,226,448	\$ 18,731
Net Adjustments for Revenue Accruals	36,355	(34,800)
Net Adjustments for Expenditure Accruals	174,980	14,263
Net Adjustments for Interfund Loan Transactions	(5,161)	5,161
Net Adjustments for Encumbrances	<u>(629,086)</u>	<u>(9,063)</u>
Budget Basis	\$ <u>803,536</u>	\$ <u>(5,708)</u>

Note 3: Cash and Investments

Cash and Cash Equivalents and Investments: The District maintains a cash and investment pool used by all funds. Each fund type's portion is displayed on the "Combined Balance Sheet - All Fund Types and Account Groups" as cash and cash equivalents.

Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999

Note 3: Cash and Investments - continued

Legal Requirements: Deposits and investments are restricted by provisions of the Ohio Revised Code. Statutes require the classification of 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 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 are not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Inactive monies are permitted to be deposited or invested in the following securities:

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

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 3: Cash and Investments - continued

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

The District may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons.
3. Obligations of the District.

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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 within the institution.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 3: Cash and Investments - continued

Deposits: At year end, the carrying amount of the District's deposits was \$3,283,819 and the bank balance was \$3,533,840. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,433,840 was uncollateralized or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the District's name.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District. Category 2 includes uninsured and unregistered investments for which securities are held by the financial institution's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which securities are held by the financial institution by its trust department but not in the District's name.

	<u>Category</u>		<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>		
Money Market Accounts	\$ 8,209	\$ 0	\$ 8,209	\$ 8,209
Federal Home Loan Bank Notes	0	400,016	400,016	398,216
Investments in State Treasurer's Investment Pool	<u>0</u>	<u>0</u>	<u>262,078</u>	<u>262,078</u>
TOTAL INVESTMENTS	<u>\$ 8,209</u>	<u>\$ 400,016</u>	<u>\$ 670,303</u>	<u>\$ 668,503</u>

Note 4: Jointly Governed Organizations

A. Lake Erie Education Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 4: Jointly Governed Organizations - continued

representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating school districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County which serves as fiscal agent at 1885 Lake Avenue, Elyria, Ohio. During fiscal year 1999, the District contributed \$2,886 for services provided by LEECA.

B. Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of thirteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge except for insurance.

The LERC's shared risk pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal year, each participating member is notified of the deficiency and billed for its share of the additional cost.

The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County at 1885 Lake Avenue, Elyria, Ohio. During fiscal year 1999, the District contributed \$718,537 for services provided by LERC.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 5: Interfund Receivables and Payables

Individual fund interfund receivable and payable balances as of June 30, 1999 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:	\$ 151,778	\$ 0
Special Revenue Funds:		
Consumer Education Projects	0	1,800
Ad Full Service	0	3,000
Career Education	0	15,461
Applied Academic's Grant	0	37,500
Vocational Education Grant	<u>0</u>	<u>94,017</u>
TOTAL	\$ <u>151,778</u>	\$ <u>151,778</u>

Note 6: Fixed Assets

A summary of changes in general fixed assets is as follows:

	<u>Balance June 30, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 1999</u>
Land	\$ 138,000	\$ 0	\$ 0	\$ 138,000
Building and Improvements	15,153,298	62,335	0	15,215,633
Furniture, Fixtures and Equipment	7,410,677	726,145	758,041	7,378,781
Vehicles	421,329	10,700	30,697	401,332
Textbooks and Library Books	<u>265,728</u>	<u>0</u>	<u>0</u>	<u>265,728</u>
TOTAL	\$ <u>23,389,032</u>	\$ <u>799,180</u>	\$ <u>788,738</u>	\$ <u>23,399,474</u>

There was no significant construction in progress on June 30, 1999.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 7: Leases

Operating Leases: The District leases copy machines under noncancelable leases. Total costs for such leases were \$3,126 for the Fiscal Year Ended June 30, 1999. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30,	Enterprise Funds
2000	\$ 3,126
2001	3,126
2002	<u>261</u>
TOTAL	\$ <u>6,513</u>

Capital Leases: The District leases printing systems and a photocopier. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present values of the future minimum lease payments as of the inception dates in the General Fixed Assets Account Group and the General Long-Term Debt Account Group.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 1999, were as follows:

Year Ending June 30,	General Long-Term Debt
2000	\$ 29,592
2001	29,592
2002	28,509
2003	<u>19,755</u>
Total minimum lease payments	107,448
Less amount representing interest	<u>(14,568)</u>
Present value of minimum lease payments	\$ <u>92,880</u>

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 8: Long-Term Obligations

Changes in general long-term obligations are as follows:

	<u>Balance at July 1, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 1999</u>
Capital Leases	\$ 114,111	\$ 0	\$(21,231)	\$ 92,880
Compensated Absences	<u>1,012,851</u>	<u>0</u>	<u>(48,007)</u>	<u>964,844</u>
TOTAL	<u>\$ 1,126,962</u>	<u>\$ 0</u>	<u>\$(69,238)</u>	<u>\$ 1,057,724</u>

Note 9: Property Taxes

Property taxes include amounts levied annually, on all real and public utility property and business tangible personal property which is located within the District. The Lorain County Auditor is responsible for assessing and remitting these property taxes to the District. The Lorain County Treasurer is responsible for collecting property taxes.

Real property taxes collected were based on assessed value equal to thirty-five percent (35%) of appraised value. The Lorain County Auditor reappraises real property every six years with a triennial update, the last update was completed for 1998. Real property taxes are levied on assessed valuations as of December 31, which is the lien date. Real property taxes, billed one year in arrears, are payable annually or semi-annually. The first payment is due January 20, and the remainder is payable by June 20.

Tangible personal property taxes collected were based on assessed values that represent varying percentages of cost. Tangible personal property taxes are levied on January 1, which is the lien date, of the current year and are due by April 30.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent (88%) of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Lorain 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 9: Property Taxes - continued

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$986,854 and is recognized as revenue.

Since Lorain County assesses and levies property taxes on a calendar basis, the District receives property taxes from two (2) taxing years during the District's fiscal year.

The assessed values of real and tangible personal property, upon which property tax receipts for the Fiscal Year Ended June 30, 1999 were based, are as follows:

	Assessed Values	
	1998	1997
Real Property:		
Residential/Agricultural	\$ 2,417,332,770	\$ 2,329,339,720
Commercial/Industrial	539,986,430	518,409,720
Public Utilities	2,791,400	2,634,320
Minerals	98,450	107,800
Tangible Personal Property:		
General	404,292,705	377,878,403
Public Utilities	<u>283,083,970</u>	<u>290,510,670</u>
TOTAL ASSESSED VALUATION	<u>\$ 3,647,585,725</u>	<u>\$ 3,518,880,633</u>

Note 10: Pension and Retirement Plans

State Teachers Retirement System

Plan Description The Lorain County Joint Vocational School District contributes to the State Teachers Retirement Systems (STRS), a cost-sharing multiple-employer defined benefit pension plan. STRS provides retirement and disability benefits, health care benefits and death benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the STRS Board of Trustees. The State Teachers Retirement System issues

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 10: Pension and Retirement Plans - continued

a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to State Teachers Retirement Systems, 275 East Broad Street, Columbus, Ohio 43215.

Funding Policy Plan members are required to contribute 9.3% of their annual covered salary and Lorain County Joint Vocational School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and Lorain County Joint Vocational School District are established and may be amended by the STRS Board of Trustees. The District's contributions to STRS for the years ending June 30, 1999, 1998, and 1997 were \$919,595, \$863,212, and \$843,410, respectively. The District paid the required contribution for fiscal years 1999, 1998 and 1997.

School Employees Retirement System

Plan Description The Lorain County Joint Vocational School District also contributes to the School Employees Retirement Plan (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, health care benefits and death benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the SERS Board of Trustees. The School Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to School Employees Retirement Systems, 45 North Fourth Street, Columbus, Ohio 43215.

Funding Policy Plan members are required to contribute 9.0% of their annual covered salary and Lorain County Joint Vocational School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and Lorain County Joint Vocational School District are established and may be amended by the SERS Board of Trustees. The District's contributions to SERS for the years ending June 30, 1999, 1998, and 1997 were \$179,670, \$150,546, and \$176,177, respectively. The District paid the required contribution for fiscal years 1999, 1998 and 1997.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 11: Post Employment Benefits

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System, and to retired non-certified employees and their dependents through the School Employees Retirement System.

State Teachers Retirement System (STRS)

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS fund shall be included in the employer contribution rate, currently 14% of covered payroll.

The Board currently allocates employer contributions equal to 8% of covered payroll to health care reserve fund from which payments for health care benefits are paid. The balance in the health care reserve fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

June 30, 1998 is the latest date for which information is available.

School Employees Retirement System (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 11: Post Employment Benefits - continued

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate was 6.3%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998, the minimum pay was established as \$12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million.

At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was \$160.3 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000.

The District's actual contributions for the 1999 fiscal year were \$72,118.

Note 12: 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a reduction in coverage from the prior year.

The District has a comprehensive property and casualty policy with the Nationwide Insurance Company which includes boiler coverage. This policy also provides insurance for all lease agreements. The deductible is \$5,000 per incident. All vehicles are insured with Nationwide Insurance Company and have a \$250 deductible. All Board Members, Administrators and employees are covered under a school district liability policy with Nationwide Insurance Company. The limits of this coverage are \$1,000,000 per occurrence and \$5,000,000 aggregate.

The Board President and the Superintendent are covered with surety bonds for \$20,000. The Treasurer also is covered by a surety bond in the amount of \$50,000. These bonds are with Nationwide Insurance Company.

Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999

Note 12: Risk Management - continued

Remaining employees who handle money, are covered with a public employees blanket bond in the amount of \$15,000. This coverage is also provided by the Ohio Farmers Insurance Company.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The District provides life insurance and accidental death and dismemberment insurance to its employees based on years of service.

The District contracts with the Lake Erie Regional Council organization (LERC) to provide employee medical/surgical, dental, and vision benefits. The LERC is a shared risk pool comprised of thirteen Lorain county school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claim flows. Upon termination, all District claims would be paid without regard to the District's account balance. The LERC Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. This plan provides a medical/surgical and vision plan with deductibles of \$100 for single and \$200 for family coverage. Deductibles for the dental plan are \$50 for single and \$100 for family coverage.

Note 13: Segment Information for Enterprise Funds

The District maintains the following Enterprise Funds:

Uniform School Supplies Fund: Established to account for the purchase and sale of school supplies that are ultimately purchased by students.

Rotary Fund: Established to account for income and expenses of Vocational Education operations in which goods and/or services are sold to the public.

Adult Education Fund: Established to account for income and expenses of Adult Education operations.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 13: Segment Information for Enterprise Funds - continued

NASA Fund: Established to account for the purchase and sale of NASA educational materials.

Segment information for Enterprise Funds is as follows:

	<u>Uniform School Supplies</u>	<u>Rotary</u>	<u>Adult Education</u>	<u>NASA</u>	<u>Total</u>
Operating Revenues	\$ 32,135	\$ 289,189	\$ 1,005,315	\$ 108,461	\$ 1,435,100
Operating Expenses	35,073	326,480	1,242,197	252,906	1,856,656
Operating Income (Loss)	(2,938)	(37,291)	(236,882)	(144,445)	(421,556)
Operating Grants	0	0	272,846	261,635	534,481
Operating Transfers In	0	0	25,000	0	25,000
Net Income (Loss)	(2,938)	(37,291)	60,964	117,190	137,925
Net Working Capital	3,651	49,009	519,689	383,651	956,000
Total Assets	3,651	49,729	719,553	445,735	1,218,668
Total Equity	\$ 3,651	\$ 49,009	\$ 519,689	\$ 383,651	\$ 956,000

Note 14: Contingencies

Grants

The District receives financial assistance from numerous federal and state agencies which is subjected to financial and compliance audits in accordance with the Single Audit Act of 1984. Such audits could lead to a request for reimbursement to the grantor agency for disallowed expenditures. Management believes that such disallowance's, if any, would not materially affect the District's financial position.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 14: Contingencies - continued

State School Funding

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 that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the Fiscal Year Ended June 30, 1999, the District received \$3,633,945 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 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, October 15, 1999, 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 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.

Note 15: 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 government's operations as early as fiscal 1999.

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 and payroll. The District utilizes an external service organization for these systems. This organization is responsible for remediating these systems. Management has been advised that the external service organization has tested and validated the systems related to Lorain County Joint Vocational School District's financial reporting and payroll as of June 30, 1999.

**Lorain County Joint Vocational School District
Notes to General Purpose Financial Statements
Year Ended June 30, 1999**

Note 15: Year 2000 Issue - continued

The State of Ohio distributes a portion of the District's operating monies 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 their Education Management and Information System (EMIS). The State is responsible for remediating these systems.

Local property taxes also provide a proportion of the District's operating monies. Tax collection for the District is handled by Lorain County. The County is responsible for remediating this system, and is solely responsible for any costs associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is, or will be, Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the district does business will be year 2000 ready.

Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Education
Lorain County Joint Vocational School District
Oberlin, Ohio 44074

We have audited the financial statements of the Lorain County Joint Vocational School District as of and for the year ended June 30, 1999, and have issued our report thereon dated November 10, 1999. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Education
Lorain County Joint Vocational School District
Report on Compliance and on Internal Control Over
Financial Reporting Based on Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page Two

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

Hausser + Taylor LLP

Canton, Ohio
November 10, 1999



Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Education
Lorain County Joint Vocational School District
Oberlin, Ohio 44074

Compliance

We have audited the compliance of the Lorain County Joint Vocational School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs 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 with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. 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 programs for the year ended June 30, 1999.

Board of Education
Lorain County Joint Vocational School District
Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133
Page Two

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 major federal programs 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 major federal programs 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.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the District as of and for the year ended June 30, 1999, and have issued our report thereon dated November 10, 1999. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Hausser + Taylor LLP

Canton, Ohio
November 10, 1999

Lorain County Joint Vocational School

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 1999

Federal Grantor/ Sub Grantor Program Title	Federal CFDA Number	Grant Number	Beginning Balance	Federal Cash Receipts	Federal Cash Disbursements	Ending Balance
United States Department of Education						
<i>Passed through State Department of Education</i>						
Goals 2000	84.276	G2-S2-99	\$0	\$5,000	\$834	\$4,166
Adult Basic Education	84.002	AB-S1-99	0	48,068	48,068	0
Opportunities- Single Displaced	84.048	20-A4-98	0	6,289	6,289	0
		20-A4-99	0	44,540	44,540	0
		20-C1-98	0	62,685	62,685	0
		20-C1-99	0	369,109	369,109	0
		20-C2-98	0	9,123	9,123	0
		20-C2-99	0	56,778	56,778	0
Subtotal			0	548,524	548,524	0
Eisenhower Professional Development	84.281	MS-S1-99	0	2,661	2,661	0
Eisenhower Professional Development	84.281	MS-S1-98	1,976	0	1,976	0
Subtotal			1,976	2,661	4,637	0
Innovative Education Program Strategy	84.298	C2-S1-98	0	4,123	4,123	0
Pell Grants	84.063		0	490	490	0
Total U.S. Department of Education			1,976	608,866	606,676	4,166
Other Federal Assistance						
United States National Aeronautics Space Administration						
NASA	43.unknown		66,849	189,979	253,486	3,342
Total Federal Assistance			\$68,825	\$798,845	\$860,162	\$7,508

Notes:

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information is presented in accordance with the requirements of the OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Lorain County Joint Vocational School District

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Reportable condition(s) identified

not considered to be material weakness(es)?

yes none reported

Noncompliance material to financial
statements noted?

yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

yes no

Reportable condition(s) identified

not considered to be material weakness(es)?

yes none reported

Type of auditor's report issued on
compliance for major programs:

Unqualified

Any audit findings disclosed that are
required to be reported in accordance with
Circular A-133, Section .510(a)?

yes no

Lorain County Joint Vocational School District

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 1999

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
NASA	43.unknown
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	<u>x</u> yes <u> </u> no

Lorain County Joint Vocational School District

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 1999

Section II - Financial Statement Findings

There are no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards.

Section III - Federal Award Findings and Questioned Costs

There are no audit findings that are required to be reported by Circular A-133, Section .510(a).



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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LORAIN JOINT VOCATIONAL SCHOOL DISTRICT
LORAIN 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.

By: Susan Babbitt

Date: JANUARY 11, 2000