

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

AKRON/CANTON REGION, STARK COUNTY

REGULAR AUDIT

YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) All Governmental Fund Types	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Enterprise Fund	12
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) Enterprise Fund	13
Combining Statement of Cash Flows - Enterprise Fund	14
Notes to the General Purpose Financial Statements	15
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	37
<i>Schedule of Findings</i>	39



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

111 2nd Street, NW
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001

REPORT OF INDEPENDENT ACCOUNTANTS

Stark County Area Vocational School District
Stark County
6805 Richville Dr. S.W.
Massillon, Ohio 44646

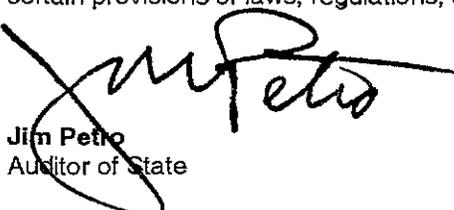
To the Board of Education:

We have audited the accompanying general purpose financial statements of Stark County Area Vocational School District, Stark County, Ohio, (the 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and the 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 December 3, 1999 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.



Jim Petko
Auditor of State

December 3, 1999

Stark County Area Vocational School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Agency</u>
ASSETS AND OTHER DEBITS				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,123,145	\$29,953	\$60,130	\$11,265
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	63,614	0	0	0
Receivables:				
Taxes	2,681,132	0	0	0
Accounts	200	0	11,237	0
Intergovernmental	48,590	27,796	3,400	0
Interfund Receivable	30,256	0	0	0
Materials and Supplies				
Inventory	18,264	0	6,481	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	1,206	0
Other Debit				
Amount to be Provided from General Government Resources	0	0	0	0
<i>Total Assets and Other Debit</i>	<u>\$4,965,201</u>	<u>\$57,749</u>	<u>\$82,454</u>	<u>\$11,265</u>

<u>Account Groups</u>		
<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	<u>Totals (Memorandum Only)</u>
\$0	\$0	\$2,224,493
0	0	63,614
0	0	2,681,132
0	0	11,437
0	0	79,786
0	0	30,256
0	0	24,745
7,968,929	0	7,970,135
0	516,704	516,704
<u>\$7,968,929</u>	<u>\$516,704</u>	<u>\$13,602,302</u>

(continued)

Stark County Area Vocational School District
Combined Balance Sheet
All Fund Types and Account Groups (Continued)
June 30, 1999

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type
	General	Special Revenue	Enterprise	Agency
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities				
Accounts Payable	\$244,355	\$589	\$1,966	\$0
Accrued Wages	274,515	11,472	6,042	0
Compensated Absences Payable	7,707	0	5,032	0
Interfund Payable	0	30,256	0	0
Intergovernmental Payable	48,290	2,308	9,702	0
Deferred Revenue	2,544,064	0	4,127	0
Due to Students	0	0	0	11,265
<i>Total Liabilities</i>	<u>3,118,931</u>	<u>44,625</u>	<u>26,869</u>	<u>11,265</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	55,585	0
Fund Balance:				
Reserved for Encumbrances	654,483	4,296	0	0
Reserved for Inventory	18,264	0	0	0
Reserved for Budget Stabilization	63,614	0	0	0
Reserved for Taxes	137,068	0	0	0
Unreserved, Undesignated (Deficit)	972,841	8,828	0	0
<i>Total Fund Equity and Other Credits</i>	<u>1,846,270</u>	<u>13,124</u>	<u>55,585</u>	<u>0</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$4,965,201</u>	<u>\$57,749</u>	<u>\$82,454</u>	<u>\$11,265</u>

See accompanying notes to the general purpose financial statements

Account Groups

General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
\$0	\$0	\$246,910
0	0	292,029
0	512,684	525,423
0	0	30,256
0	4,020	64,320
0	0	2,548,191
0	0	11,265
0	516,704	3,718,394
7,968,929	0	7,968,929
0	0	55,585
0	0	658,779
0	0	18,264
0	0	63,614
0	0	137,068
0	0	981,669
7,968,929	0	9,883,908
\$7,968,929	\$516,704	\$13,602,302

Stark County Area Vocational School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	General	Special Revenue	Debt Service
Revenues			
Intergovernmental	\$2,120,891	\$228,993	\$0
Interest	107,470	0	0
Tuition and Fees	1,000	0	0
Contributions and Donations	0	1,000	0
Customer Services	110,162	0	0
Rentals	21,000	0	0
Property & Other Local Taxes	2,508,086	0	0
Miscellaneous	76,825	7,543	0
<i>Total Revenues</i>	<u>4,945,434</u>	<u>237,536</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	179,811	423	0
Special	55,068	0	0
Vocational	2,287,933	78,719	0
Other	0	0	0
Support Services:			
Pupils	165,282	118,633	0
Instructional Staff	175,298	10,570	0
Board of Education	10,209	0	0
Administration	204,510	7,182	0
Fiscal	176,264	0	0
Operation and Maintenance of Plant	996,055	0	0
Pupil Transportation	0	0	0
Central	0	20,481	0
Extracurricular Activities	11,495	5,650	0
Debt Services:			
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>4,261,925</u>	<u>241,658</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>683,509</u>	<u>(4,122)</u>	<u>0</u>
Other Financing Sources (Uses)			
Operating Transfers In	0	6,376	0
Operating Transfers Out	(6,376)	0	(43,072)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,376)</u>	<u>6,376</u>	<u>(43,072)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	677,133	2,254	(43,072)
<i>Fund Balances (Deficit) at Beginning of Year</i>	1,175,571	10,870	43,072
<i>Increase in Reserve for Inventory</i>	<u>(6,434)</u>	<u>0</u>	<u>0</u>
<i>Fund Balances at End of Year</i>	<u>\$1,846,270</u>	<u>\$13,124</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$35,782	\$2,385,666
55	107,525
0	1,000
0	1,000
0	110,162
0	21,000
252,895	2,760,981
0	84,368
<u>288,732</u>	<u>5,471,702</u>
0	180,234
0	55,068
35,782	2,402,434
0	0
0	283,915
0	185,868
0	10,209
0	211,692
0	176,264
0	996,055
0	0
0	20,481
0	17,145
<u>28,607</u>	<u>28,607</u>
<u>64,389</u>	<u>4,567,972</u>
<u>224,343</u>	<u>903,730</u>
49,712	56,088
<u>(6,640)</u>	<u>(56,088)</u>
<u>43,072</u>	<u>0</u>
267,415	903,730
(267,415)	962,098
<u>0</u>	<u>(6,434)</u>
<u>\$0</u>	<u>\$1,859,394</u>

Stark County Area Vocational School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

	<u>General Fund</u>		<i>Variance Favorable (Unfavorable)</i>
	<u>Revised Budget</u>	<u>Actual</u>	
Revenues			
<i>Intergovernmental</i>	\$2,075,000	\$2,073,690	(\$1,310)
<i>Interest</i>	70,000	107,470	37,470
<i>Tuition and Fees</i>	5,000	1,000	(4,000)
<i>Contributions and Donations</i>	0	0	0
<i>Customer Services</i>	100,000	110,322	10,322
<i>Rentals</i>	10,000	20,800	10,800
<i>Property & Other Local Taxes</i>	2,462,515	2,492,159	29,644
<i>Miscellaneous</i>	35,000	76,825	41,825
Total Revenues	<u>4,757,515</u>	<u>4,882,266</u>	<u>124,751</u>
Expenditures			
<i>Current:</i>			
<i>Instruction:</i>			
<i>Regular</i>	197,828	194,568	3,260
<i>Special</i>	58,380	55,248	3,132
<i>Vocational</i>	2,535,120	2,532,899	2,221
<i>Other</i>	100	0	100
<i>Support Services:</i>			
<i>Pupils</i>	187,452	170,789	16,663
<i>Instructional Staff</i>	196,472	191,643	4,829
<i>Board of Education</i>	12,420	10,542	1,878
<i>Administration</i>	314,905	206,758	108,147
<i>Fiscal</i>	205,937	169,976	35,961
<i>Operation and Maintenance of Plant</i>	1,270,843	1,636,909	(366,066)
<i>Pupil Transportation</i>	50	0	50
<i>Central</i>	0	0	0
<i>Extracurricular Activities</i>	15,915	11,471	4,444
<i>Debt Service:</i>			
<i>Principal Retirement</i>	0	0	0
<i>Interest and Fiscal Charges</i>	0	0	0
Total Expenditures	<u>4,995,422</u>	<u>5,180,803</u>	<u>(185,381)</u>
Excess of Revenues Over (Under) Expenditures	<u>(237,907)</u>	<u>(298,537)</u>	<u>(60,630)</u>
Other Financing Sources (Uses)			
<i>Advances In</i>	26,864	26,864	0
<i>Advances Out</i>	(30,296)	(30,257)	39
<i>Operating Transfers In</i>	0	0	0
<i>Operating Transfers Out</i>	(6,376)	(6,376)	0
Total Other Financing Sources (Uses)	<u>(9,808)</u>	<u>(9,769)</u>	<u>39</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(247,715)</u>	<u>(308,306)</u>	<u>(60,591)</u>
Fund Balances at Beginning of Year	1,075,338	1,075,338	0
Prior Year Encumbrances Appropriated	<u>535,071</u>	<u>535,071</u>	<u>0</u>
Fund Balances at End of Year	<u>\$1,362,694</u>	<u>\$1,302,103</u>	<u>(\$60,591)</u>

See accompanying notes to the general purpose financial statements

<i>Special Revenue Funds</i>			<i>Debt Service Fund</i>		
<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$218,881	\$228,062	\$9,181	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
1,000	1,000	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	252,895	252,895	0
7,000	7,543	543	0	0	0
<u>226,881</u>	<u>236,605</u>	<u>9,724</u>	<u>252,895</u>	<u>252,895</u>	<u>0</u>
484	423	61	0	0	0
0	0	0	0	0	0
78,402	73,705	4,697	0	0	0
0	0	0	0	0	0
134,101	112,343	21,758	0	0	0
11,509	11,509	0	0	0	0
0	0	0	0	0	0
7,140	7,140	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
20,481	20,481	0	0	0	0
5,450	8,850	(3,400)	0	0	0
0	0	0	0	0	0
			274,000	274,000	0
			28,607	28,607	0
<u>257,567</u>	<u>234,451</u>	<u>23,116</u>	<u>302,607</u>	<u>302,607</u>	<u>0</u>
<u>(30,686)</u>	<u>2,154</u>	<u>32,840</u>	<u>(49,712)</u>	<u>(49,712)</u>	<u>0</u>
29,796	30,257	461	0	0	0
(26,864)	(26,864)	0	0	0	0
27,796	6,376	(21,420)	6,640	6,640	0
0	0	0	0	0	0
<u>30,728</u>	<u>9,769</u>	<u>(20,959)</u>	<u>6,640</u>	<u>6,640</u>	<u>0</u>
42	11,923	11,881	(43,072)	(43,072)	0
9,386	9,386	0	43,072	43,072	0
3,759	3,759	0	0	0	0
<u>\$13,187</u>	<u>\$25,068</u>	<u>\$11,881</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(continued)

Stark County Area Vocational School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 1999

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$36,000	\$35,782	(\$218)
Interest	55	55	0
Tuition and Fees	0	0	0
Contributions and Donations	0	0	0
Customer Services	0	0	0
Rentals	0	0	0
Property & Other Local Taxes	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>36,055</u>	<u>35,837</u>	<u>(218)</u>
Expenditures			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	35,782	35,782	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Central	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>35,782</u>	<u>35,782</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>273</u>	<u>55</u>	<u>(218)</u>
Other Financing Sources (Uses)			
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(6,640)	(6,640)	0
Total Other Financing Sources (Uses)	<u>(6,640)</u>	<u>(6,640)</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(6,367)</u>	<u>(6,585)</u>	<u>(218)</u>
Fund Balances at Beginning of Year	6,585	6,585	0
Unexpended Prior Year Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$218</u>	<u>\$0</u>	<u>(\$218)</u>

See accompanying notes to the general purpose financial statements

Totals
(Memorandum Only)

<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$2,329,881	\$2,337,534	\$7,653
70,055	107,525	37,470
5,000	1,000	(4,000)
1,000	1,000	0
100,000	110,322	10,322
10,000	20,800	10,800
2,715,410	2,745,054	29,644
42,000	84,368	42,368
<u>5,273,346</u>	<u>5,407,603</u>	<u>134,257</u>
198,312	194,991	3,321
58,380	55,248	3,132
2,649,304	2,642,386	6,918
100	0	100
321,553	283,132	38,421
207,981	203,152	4,829
12,420	10,542	1,878
322,045	213,898	108,147
205,937	169,976	35,961
1,270,843	1,636,909	(366,066)
50	0	50
20,481	20,481	0
21,365	20,321	1,044
274,000	274,000	0
28,607	28,607	0
<u>5,591,378</u>	<u>5,753,643</u>	<u>(162,265)</u>
<u>(318,032)</u>	<u>(346,040)</u>	<u>(28,008)</u>
56,660	57,121	461
(57,160)	(57,121)	39
34,436	13,016	(21,420)
(13,016)	(13,016)	0
<u>20,920</u>	<u>0</u>	<u>(20,920)</u>
(297,112)	(346,040)	(48,928)
1,134,381	1,134,381	0
538,830	538,830	0
<u>\$1,376,099</u>	<u>\$1,327,171</u>	<u>(\$48,928)</u>

Stark County Area Vocational School District
Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
Enterprise Fund
For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
Operating Revenues	
Tuition	\$45,692
Sales	106,288
Miscellaneous	32,478
	<u>184,458</u>
Total Operating Revenues	<u>184,458</u>
Operating Expenses	
Salaries	84,174
Fringe Benefits	22,654
Purchased Services	3,157
Materials and Supplies	22,622
Cost of Sales	74,038
Depreciation	176
	<u>206,821</u>
Total Operating Expenses	<u>206,821</u>
Operating Loss	<u>(22,363)</u>
Non-Operating Revenues	
Federal Donated Commodities	8,436
Federal and State Subsidies	33,644
	<u>42,080</u>
Total Non-Operating Revenues	<u>42,080</u>
Net Income	19,717
Retained Earnings at Beginning of Year	<u>35,868</u>
Retained Earnings at End of Year	<u><u>\$55,585</u></u>

See accompanying notes to the general purpose financial statements

Stark County Area Vocational School District
Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Enterprise Fund
For the Fiscal Year Ended June 30, 1999

	<i>Enterprise</i>		<i>Variance Favorable (Unfavorable)</i>
	<i>Revised Budget</i>	<i>Actual</i>	
Revenues			
<i>Tuition</i>	58,000	38,738	(19,262)
<i>Sales</i>	96,100	106,288	10,188
<i>Miscellaneous</i>	0	32,477	32,477
<i>Operating Grants</i>	11,900	32,957	21,057
Total Revenues	166,000	210,460	44,460
Expenses			
<i>Salaries</i>	85,200	80,812	4,388
<i>Fringes</i>	19,859	18,978	881
<i>Purchased Services</i>	7,825	1,879	5,946
<i>Materials and Supplies</i>	87,820	88,967	(1,147)
<i>Capital Outlay</i>	1,000	978	22
Total Expenses	201,704	191,614	10,090
<i>Excess of Revenues Over (Under) Expenses</i>	(35,704)	18,846	54,550
<i>Fund Equity at Beginning of Year</i>	38,163	38,163	0
<i>Prior Year Encumbrances Appropriated</i>	1,330	1,330	0
Fund Equity at End of Year	3,789	58,339	54,550

See accompanying notes to the general purpose financial statements

Stark County Area Vocational School District
Combined Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$106,288
Cash Received from Tuition Payments	38,738
Cash Received from Other Operating Sources	32,477
Cash Payments to Suppliers for Goods and Services	(89,055)
Cash Payments to Employees for Services	(80,811)
Cash Payments for Employee Benefits	(18,978)
	<u>(11,341)</u>
<i>Net Cash Used for Operating Activities</i>	
Cash Flows from Noncapital Financing Activities	
Operating Grants	32,957
	<u>32,957</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(978)
	<u>(978)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	
	20,638
<i>Cash and Cash Equivalents at Beginning of Year</i>	
	<u>39,492</u>
<i>Cash and Cash Equivalents at End of Year</i>	
	<u>\$60,130</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	<u>(\$22,363)</u>
<i>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</i>	
Depreciation	176
Donated Commodities Used During Year	8,436
<i>Changes in Assets and Liabilities:</i>	
Increase in Accounts Receivable	(6,954)
Increase in Intergovernmental Receivable	360
Decrease in Materials and Supplies Inventory	1,966
Increase in Accrued Wages	1,134
Increase in Compensated Absences Payable	2,228
Increase in Intergovernmental Payable	3,676
	<u>11,022</u>
<i>Total Adjustments</i>	
	<u>11,022</u>
<i>Net Cash Used for Operating Activities</i>	
	<u>(\$11,341)</u>

See accompanying notes to the general purpose financial statement

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a seven member Board of Education consisting of one member from each member school's board of education, and one additional rotating member allowing each member school to have two members every seven years. The District provides educational services as authorized and mandated by state or federal agencies.

Reporting Entity

The District utilizes the standards of Governmental Accounting Standards Board (GASB) Statement No. 14 for determining the reporting entity.

The financial reporting entity consists of (a) the primary government, (b) component units which are legally separate organizations which are fiscally dependent on the District or for which the District is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No separate governmental units meet the criteria for inclusion as a component unit.

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

The District is associated with organizations, which are defined as a jointly governed organization and public entity risk pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Stark County Schools Council of Governments Health Benefits Program. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

A. Basis of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general short-term and long-term debt principal and interest.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type

Proprietary funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. The following is the District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available; interest tuition and grants.

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

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

Tax Budget

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

Treasurer. The amounts reported in the budgetary statement reflect the amounts in the Final Amended Certificate issued during fiscal year 1999.

Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which is the legal level of budgetary control for the General Fund, and at the fund level for all other funds. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions, within the General Fund, that alter the total of any fund appropriation, total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. In addition, the Board must approve any modifications in all other funds, which would alter the total of any such fund. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provision.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Except for nonparticipating investment contracts, investments are reported at fair market value, which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

The District invested funds in the State Treasury Asset Reserve of Ohio ("STAR Ohio") during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$107,470, which includes \$4,760 assigned from other school district funds.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased and as an expense in the proprietary fund types when used. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary funds consist of donated food, purchased food and school supplies held for resale and are expensed when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds are computed using the straight-line method over an estimated useful life of ten years.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget reserve. The reserve is required by State statute and can be used only after receiving approval from the State. A fund balance reserve has also been established.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Career Development

Vocational Education

Educational Management Information System

Title VI

Enterprise Fund

Adult Education

Reimbursable Grants

Enterprise Funds

National School Lunch Program

Government Donated Commodities

E-Rate

Grants and entitlements amounted to forty-four percent of the District's operating revenue during the 1999 fiscal year.

I. Short-term Interfund Assets/Liabilities

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables."

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the District had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than two months after year-end are generally considered not to have been paid with current available financial resources. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Estimates

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

N. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and are therefore not available for appropriations for expenditures. Undesignated fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund equity reserves are established for encumbrances, inventory, budget stabilization and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances/retained earnings on the GAAP basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and GAAP basis are:

1. Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budgetary basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

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

	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>
<i>GAAP Basis</i>	\$677,133	\$2,254	(\$43,072)	\$267,415
Net Adjustment for Revenue Accruals	(63,168)	(931)	0	0
Advances In	26,864	30,257	0	0
Net Adjustment for Expenditure Accruals for Expenditure Accruals	(34,221)	12,092	0	0
Advances Out	(30,257)	(26,864)	0	0
Net Adjustment for Debt Retirement	0	0	0	(274,000)
Encumbrances	(884,657)	(4,885)	0	0
<i>Budgetary Basis</i>	(\$308,306)	\$11,923	(\$43,072)	(\$6,585)

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements For the Fiscal Year Ended June 30, 1999

Net Income / Excess of Revenues Over Expenses Enterprise Fund

	Enterprise
<i>GAAP Basis</i>	\$19,717
Net Adjustment for Revenue Accruals	(7,642)
Net Adjustment for Expenditure Accruals	9,365
Capital Outlay	(978)
Depreciation Expense	176
Encumbrances	(1,792)
<i>Budgetary Basis</i>	<u>\$18,846</u>

NOTE 4 - NON-COMPLIANCE

During fiscal year 1999, the District delegated its authority to amend appropriations, contrary to Ohio Revised Code Section 5705.40. This resulted in final appropriations not being approved by year-end. Therefore, several funds had total cash expenditures plus encumbrances that exceeded legally adopted appropriations, contrary to Ohio Revised Code Section 5705.41(B).

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District's Board of Education has identified as 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.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as a 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily; and that the term of the agreement does not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

During fiscal year 1999, the District's investments were limited to STAR Ohio.

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

Deposits: At fiscal year-end, the carrying amount of the District's deposits was (\$31,903) and the bank balance was \$56,516. The entire bank balance was covered by federal depository insurance. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the District's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit 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 or its agent in the District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The fair value at year-end was \$2,320,010.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<i>Cash and Cash</i>	
	<i>Equivalents</i>	<i>Investments</i>
<i>GASB Statement No. 9</i>	<u>\$2,288,107</u>	<u>\$0</u>
Investments which are part of the cash management pool:		
STAR Ohio	(2,320,010)	2,320,010
	<u> </u>	<u> </u>
<i>GASB Statement No. 3</i>	<u>(\$31,903)</u>	<u>\$2,320,010</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distribution occurs during the subsequent fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates established.

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

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

The District receives property taxes from Carroll, Columbiana, Stark, Summit, Tuscarawas, and Wayne counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties 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.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible 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 is not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$137,068, for the general fund.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	<i>1998 Second- Half Collections</i>		<i>1999 First- Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential				
and Other Real Estate	\$717,054,710	81.33%	\$759,620,350	82.30%
Public Utility Personal	63,752,120	7.23	66,334,090	7.19
Tangible Personal Property	100,878,760	11.44	97,051,931	10.51
	\$881,685,590	100.00%	\$923,006,371	100.00%
Tax Rate per \$1,000 of assessed valuation	\$3.50		\$3.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (tuition and customer service), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and current year guarantee of Federal funds.

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

A summary of the principal items of intergovernmental receivables follows:

	<i>Amounts</i>
<i>General Fund:</i>	
Tuition	\$ 37,000
Rent	4,800
Miscellaneous	6,790
<i>Total General Fund</i>	<u>48,590</u>
<i>Special Revenue Funds:</i>	
Career Development Grant	6,376
Carl D. Perkins Grant	21,420
<i>Total Special Revenue Funds</i>	<u>27,796</u>
<i>Enterprise Fund:</i>	
Adult Education	3,400
<i>Total Intergovernmental Receivables</i>	<u><u>\$79,786</u></u>

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$19,557
Less Accumulated Depreciation	(18,351)
<i>Net Fixed Assets</i>	<u><u>\$1,206</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	<i>Balance</i>			<i>Balance</i>
	<i>July 1, 1998</i>	<i>Additions</i>	<i>(Deletions)</i>	<i>June 30, 1999</i>
Land and Improvements	\$6,173,624	\$0	\$0	\$6,173,624
Furniture and Equipment	1,621,793	183,405	(79,684)	1,725,514
Vehicles	24,323	45,468	0	69,791
<i>Total General Fixed Assets</i>	<u>\$7,819,740</u>	<u>\$228,873</u>	<u>\$(79,684)</u>	<u>\$7,968,929</u>

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

NOTE 9 - 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 1999, the District contracted with Indiana Insurance Company for property and fleet insurance, commercial crime insurance and inland marine coverage and with Nationwide Insurance Company for liability insurance. Coverage is provided by Nationwide Insurance as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings, Contents and Boiler	\$14,411,098	\$5,000
Inland Marine Coverage	413,713	100
Automobile Liability	1,000,000	0
Uninsured Motorists	1,000,000	0
Commercial Crime Insurance	5,000	100
General Liability:		
Per Occurrence	2,000,000	0
Aggregate	5,000,000	0

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

For fiscal year 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services of the GRP.

The District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical / surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of fifteen Stark County Districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting District subsequent to the settlements of all expenses and claims. The District pays premiums of \$519.70 for family coverage and \$208.38 for single coverage per employee per month.

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised code establishes benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution rates of plan members and employees are established and may be amended, up to statutory maximum amounts by the SERS Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$39,599, \$43,434, and \$43,503, respectively; 100 percent has been contributed for fiscal years 1999, 1998, and 1997.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits and death and survivor benefits to members and beneficiaries. Chapter 3307 of the Ohio Revised Code establishes benefits. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$116,406, \$199,961, and \$216,953, respectively; 100 percent has been contributed for fiscal years 1999, 1998, and 1997.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose social security or SERS/STRS. As of June 30, 1998, three of the Board of Education members have elected social security. The board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

The State Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board allocated employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$182,466, during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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, which is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For fiscal year 1999, the minimum pay was established at \$12,400.

The target level for the health care reserves is 125 percent 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, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participating currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge equaled \$36,396, during the 1999 fiscal year.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 300 days. Upon retirement, payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 66 days severance pay at the daily rate of the employee.

B. Life Insurance

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

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

NOTE 13 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
<i>General Fund</i>	\$30,256	\$0
<i>Special Revenue Funds</i>		
Career Development	0	6,376
Miscellaneous Grant	0	2,460
Carl D. Perkins	0	21,420
<i>Total Special Revenue Funds</i>	<u>0</u>	<u>30,256</u>
<i>Totals</i>	<u>\$30,256</u>	<u>\$30,256</u>

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operation of Food Service, Uniform School Supplies, and Adult Education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$100,022	\$5,872	\$78,564	\$184,458
Operating Expenses				
before Depreciation	133,508	5,821	67,316	206,645
Depreciation	107	0	69	176
Operating Income/(Loss)	(33,593)	51	11,179	(22,363)
Donated Commodities	8,436	0	0	8,436
Federal and State Subsidies	24,559	0	9,085	33,644
Net Income/(Loss)	(598)	51	20,264	19,717
Net Working Capital	17,719	2,554	34,105	54,378
Total Assets	39,526	3,243	39,685	82,454
Total Liabilities	20,601	688	5,580	26,869
Total Equity	18,925	2,555	34,105	55,585
Encumbrances Outstanding as of June 30, 1999	0	1,082	710	1,792

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

NOTE 15 - NOTE ACTIVITY

The District's note activity for the fiscal year ended June 30, 1999, is as follows:

	<u>Balance</u> <u>7/1/98</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>6/30/99</u>
<i>Capital Projects</i>				
Energy Conservation HB264 5.72%	\$274,000	\$0	(\$274,000)	\$0

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization among thirty-one 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 among member districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC's annual budget and ascertain that costs are divided equally among participating school districts.

NOTE 17 - PUBLIC ENTITY RISK POOLS

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

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

NOTE 18 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during fiscal year 1999 were as follows:

	<u>Balance</u> <u>7/1/98</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>6/30/99</u>
<i>General Long-Term Obligations</i>				
Compensated Absences Payable	\$484,802	\$27,882	\$0	\$512,684
Intergovernmental payable	4,027	4,020	(4,027)	4,020
Total General Long-Term Obligations	<u>\$488,829</u>	<u>\$31,902</u>	<u>(\$4,027)</u>	<u>\$516,704</u>

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

Compensated absences and the intergovernmental payable, which represents contractually required pension contributions paid outside the available period, will be paid from the fund from which the employee's salaries are paid.

NOTE 19 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material effect on the overall financial position of the District at June 30, 1999.

B. Litigation

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

NOTE 20 - SCHOOL FUNDING ISSUE

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 Ohio General Assembly to design a plan to remedy the perceived defects in that system. The State's "school foundation program", which provides significant amounts of monetary support to this District was declared unconstitutional. During the fiscal year ended June 30, 1998, the District received \$1,703,818 of school foundation support.

Since the Court's ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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. At this time, 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 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 21 - YEAR 2000 ISSUE

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

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations. Such systems identified would include, but not be limited to, financial reporting, payroll, employee benefits, telecommunications and power systems.

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

As of June 30, 1999, the School District had completed assessing the changes needed in the power systems. The systems have been tested, validated and are believed to be Year 2000 compliant. In addition, the telecommunications system has also been assessed, tested and validated and believed to be Year 2000 compliant.

The School District utilizes an external service organization for its financial, payroll and employee benefit systems. The external service organization in turn uses the State of Ohio Uniform School Accounting System software for its financial reporting and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The external service organization is responsible for remediating these systems and has stated the financial, payroll and employee benefits reporting systems have been assessed, remediated, tested and validated.

Carroll, Tuscarawas, Summit, Columbiana, Stark and Wayne Counties collect property taxes for distribution to the District. The Counties are responsible for remediating their tax collection system.

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.

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.

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set-aside, in the general fund, an amount based on a statutory formula for budget stabilization, the purchase of textbooks and other instructional materials and an equal amount for 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.

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1999

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Balance from previous fiscal year	\$0	\$0	\$20,685	\$20,685
Current Year Set-Aside Requirement	85,122	85,122	42,929	213,173
Qualifying Disbursements	(85,122)	(85,122)	0	(170,244)
Total	<u>\$0</u>	<u>\$0</u>	<u>\$63,614</u>	<u>\$63,614</u>
Cash Balance Carried Forward to Fiscal Year 2000	<u>\$0</u>	<u>\$0</u>	<u>\$63,614</u>	
 Amount Restricted for Budget Stabilization				<u>\$63,614</u>
Total Restricted Assets				<u>\$63,614</u>



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

111 2nd Street, NW
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001

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

Stark County Area Vocational School District
Stark County
6805 Richville Dr. S.W.
Massillon, Ohio 44646

To the Board of Education:

We have audited the general purpose financial statements of Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 3, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-11276-001.

We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 3, 1999.

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.

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

However, we 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 December 3, 1999.

This report is intended for the information and use of management and Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

December 3, 1999

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

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

Noncompliance

Finding Number	1999-11276-001
-----------------------	----------------

Ohio Rev. Code Section 5705.40 provides that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The District's Board of Education (the Board) formally adopted its permanent appropriations on September 22, 1998. However, on May 20, 1999, the Board delegated its authority to revise appropriations to the Treasurer and an appropriation amendment was made by the Treasurer on June 30, 1999. The Board did not approve this modification until July 15, 1999. The appropriation process is a function of the legislative authority that must be performed by those specific individuals elected to fulfill this responsibility and cannot be delegated.

As a result of the Board delegating its authority to revise appropriations, June 30, 1999 amendments did not meet the requirements noted above. Accordingly, the amendments have been excluded in determining compliance with Ohio Rev. Code Section 5705.41(B) which prohibits the District from making an expenditure without proper appropriations. As a result, June 30, 1999 expenditures plus year-end encumbrances exceeded appropriations plus carry-over appropriations in the following funds and/or accounts at the end of the year:

<u>Fund/Account</u>	<u>Approved Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund/Regular Instruction	\$185,917	\$194,569	(\$8,652)
General Fund/Support Services Instruction	\$172,912	\$191,642	(\$18,730)
General Fund/Operation and Maintenance	\$1,680,394	\$1,636,909	(\$43,485)
General Fund/Advances Out	\$27,796	\$30,257	(\$2,461)
Job Train Partner Fund	\$20,492	\$23,699	(\$3,207)
Vocational Education Equipment Fund	\$30,000	\$35,782	(\$5,782)
Uniform School Supplies Fund	\$6,000	\$6,215	(\$215)
Rotary Fund	\$89,873	\$90,338	(\$465)
Adult Education Fund	\$42,450	\$62,515	(\$20,065)

To help ensure compliance with the aforementioned Ohio Rev. Code Sections, the Board should discontinue the practice of delegating its authority to revise appropriations. In addition, as required by Auditor of State Bulletin 97-010, all revisions to appropriations should be passed by the Board before the end of the fiscal year in order to be effective for that year.



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

111 2nd Street, NW, 4th Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT, STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: Susan Babbitt
Clerk of the Bureau

Date: FEB 08 2000