

**ASHLAND COUNTY - WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT
ASHLAND COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

Ashland County - West Holmes Joint Vocational School District
Ashland County
1783 State Route 60
Ashland, Ohio 44805

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Ashland County - West Holmes Joint Vocational School District, Ashland 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 types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the general purpose financial statements, the District changed its method of accounting and reporting for its deferred compensation plan for the year ended June 30, 1999, as required by Governmental Accounting Standards Board Statement No. 32.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.



Jim Retro
Auditor of State

January 10, 2000

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ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 656,597	\$ 172,475	\$ 124,054
Restricted Cash and Cash Equivalents	62,917	0	0
Cash and Cash Equivalents:			
With Fiscal Agents	0	0	0
Receivables:			
Taxes	2,509,777	0	437,124
Accounts	3,673	3,739	0
Interfund	37,787	0	0
Intergovernmental	0	38,234	0
Prepaid Items	42,175	12,056	77
Materials and Supplies	0	0	0
Fixed Assets (Net)	0	0	0
Inventory Held for Resale	0	0	0
Other Debits			
Amount to be Provided for Retirement of General Long Term Obligations	0	0	0
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$ 3,312,926	\$ 226,504	\$ 561,255
Liabilities			
Accrued Wages and Benefits	\$ 400,239	\$ 57,256	\$ 0
Compensated Absences Payable	52,058	309	0
Interfund Payable	0	37,787	0
Intergovernmental Payable	55,628	8,601	0
Deferred Revenue	2,226,059	0	387,709
Due to Students	0	0	0
Claims Payable	0	0	0
Capital Leases Payable	0	0	0
General Obligation Bonds Payable	0	0	0
Total Liabilities	2,733,984	103,953	387,709
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Retained Earnings	0	0	0
Fund Balance:			
Reserved for Endowment	0	0	0
Reserved for Budget Stabilization	62,917	0	0
Reserved for Textbooks	0	0	0
Reserved for Capital Acquisition	0	0	0
Reserved for Taxes Unavailable for Appropriation	283,718	0	49,415
Unreserved: Undesignated	232,307	122,551	124,131
Total Fund Equity and Other Credits	578,942	122,551	173,546
Total Liabilities, Fund Equity and Other Credits	\$ 3,312,926	\$ 226,504	\$ 561,255

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type		Fiduciary	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
\$ 19,474	\$ 0	\$ 47,401	\$ 0	\$ 0	\$ 1,020,001
0	0	0	0	0	62,917
0	27,470				27,470
0	0	0	0	0	2,946,901
70	0	289	0	0	7,771
0	0	0	0	0	37,787
1,457	0	0	0	0	39,691
681	0	0	0	0	54,989
449	0	0	0	0	449
10,258	0	0	8,380,955	0	8,391,213
4,080	0	0	0	0	4,080
0	0	0	0	530,000	530,000
0	0	0	0	415,195	415,195
<u>\$ 36,469</u>	<u>\$ 27,470</u>	<u>\$ 47,690</u>	<u>\$ 8,380,955</u>	<u>\$ 945,195</u>	<u>\$ 13,538,464</u>
\$ 4,320	\$ 0	\$ 0	\$ 0	\$ 0	\$ 461,815
3,283	0	0	0	385,316	440,966
0	0	0	0	0	37,787
2,235	0	0	0	4,017	70,481
2,346	46,893	0	0	0	2,663,007
0	0	18,980	0	0	18,980
0	32,592	0	0	0	32,592
0	0	0	0	25,862	25,862
0	0	0	0	530,000	530,000
<u>12,184</u>	<u>79,485</u>	<u>18,980</u>	<u>0</u>	<u>945,195</u>	<u>4,281,490</u>
0	0	0	8,380,955	0	8,380,955
24,285	(52,015)	0	0	0	(27,730)
0	0	11,327	0	0	11,327
0	0	0	0	0	62,917
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	333,133
0	0	17,383	0	0	496,372
<u>24,285</u>	<u>(52,015)</u>	<u>28,710</u>	<u>8,380,955</u>	<u>0</u>	<u>9,256,974</u>
<u>\$ 36,469</u>	<u>\$ 27,470</u>	<u>\$ 47,690</u>	<u>\$ 8,380,955</u>	<u>\$ 945,195</u>	<u>\$ 13,538,464</u>

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 2,242,643	\$ 0	\$ 0	\$ 360,840
Intergovernmental	1,748,594	958,876	0	77,559
Investment Income	43,053	0	0	5,141
Tuition and Fees	19,187	312,628	0	0
Miscellaneous	54,113	41,476	0	0
Total Revenues	4,107,590	1,312,980	0	443,540
Expenditures				
Instruction:				
Regular	521,066	232	0	7,851
Special	115,893	0	0	0
Vocational	1,684,627	125,556	0	43,127
Adult Continuing	121,439	962,039	0	0
Support Services:				
Pupils	229,412	97,262	0	0
Instructional Staff	141,324	31,607	0	0
Board of Education	65,165	0	0	0
Administration	461,991	5,601	0	0
Fiscal	214,220	0	0	5,790
Business	2,840	8,209	0	37,846
Operation and Maintenance of Plant	437,666	0	0	54,635
Pupil Transportation	6,150	4,066	0	2,305
Central	295	42,152	0	0
Capital Outlay	0	0	0	8,613
Debt Service:				
Principal Retirement	0	0	60,000	69,374
Interest and Fiscal Charges	0	0	44,033	6,579
Total Expenditures	4,002,088	1,276,724	104,033	236,120
Excess of Revenues Over (Under) Expenditures	105,502	36,256	(104,033)	207,420
Other Financing Sources (Uses)				
Proceeds from Sales of Fixed Assets	100	0	0	0
Operating Transfers In	0	7,423	104,033	0
Operating Transfers Out	(6,876)	(547)	0	(104,033)
Total Other Financing Sources (Uses)	(6,776)	6,876	104,033	(104,033)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	98,726	43,132	0	103,387
Fund Balance at Beginning of Year	480,216	79,419	0	70,159
Fund Balance at End of Year	\$ 578,942	\$ 122,551	\$ 0	\$ 173,546

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
\$ 0	\$ 2,603,483
0	2,785,029
572	48,766
0	331,815
3,401	98,990
<u>3,973</u>	<u>5,868,083</u>
279	529,428
0	115,893
0	1,853,310
0	1,083,478
0	326,674
0	172,931
0	65,165
0	467,592
0	220,010
1,776	50,671
0	492,301
0	12,521
1,262	43,709
0	8,613
0	129,374
0	50,612
<u>3,317</u>	<u>5,622,282</u>
656	245,801
0	100
0	111,456
0	(111,456)
<u>0</u>	<u>100</u>
656	245,901
<u>14,382</u>	<u>644,176</u>
<u>\$ 15,038</u>	<u>\$ 890,077</u>

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual - Budgetary Basis
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 2,159,443	\$ 2,206,308	\$ 46,865
Intergovernmental	1,737,133	1,748,594	11,461
Investment Income	35,000	43,053	8,053
Tuition and Fees	13,000	19,187	6,187
Miscellaneous	13,000	40,485	27,485
Total Revenues	<u>3,957,576</u>	<u>4,057,627</u>	<u>100,051</u>
Expenditures			
Instruction			
Regular	516,307	511,587	4,720
Special	113,498	114,747	(1,249)
Vocational	1,685,702	1,659,187	26,515
Adult/Continuing	119,255	117,211	2,044
Support Services			
Pupils	228,918	226,469	2,449
Instructional Staff	149,818	143,194	6,624
Board of Education	73,991	66,369	7,622
Administration	458,756	451,408	7,348
Fiscal	235,803	215,899	19,904
Business	3,108	2,840	268
Operation and Maintenance of Plant	482,266	451,119	31,147
Pupil Transportation	5,672	6,145	(473)
Central	750	295	455
Operation of Non-Instructional Services	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>4,073,844</u>	<u>3,966,470</u>	<u>107,374</u>
Excess of Revenues Over (Under) Expenditures	<u>(116,268)</u>	<u>91,157</u>	<u>207,425</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	1,000	100	(900)
Refund of Prior Year Expenditures	12,000	11,272	(728)
Refund of Prior Year Receipts	0	0	0
Advances In	104,346	104,345	(1)
Advances Out	(40,000)	(37,787)	2,213
Operating Transfers In	0	0	0
Operating Transfers Out	(45,000)	(6,876)	38,124
Total Other Financing Sources (Uses)	<u>32,346</u>	<u>71,054</u>	<u>38,708</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(83,922)</u>	<u>162,211</u>	<u>246,133</u>
Fund Balance at Beginning of Year	557,304	557,304	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balance at End of Year	<u>\$ 473,382</u>	<u>\$ 719,515</u>	<u>\$ 246,133</u>

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1,101,899	921,990	(179,909)	0	0	0
0	0	0	0	0	0
393,730	329,445	(64,285)	0	0	0
50,352	42,131	(8,221)	0	0	0
<u>1,545,981</u>	<u>1,293,566</u>	<u>(252,415)</u>	<u>0</u>	<u>0</u>	<u>0</u>
250	232	18	0	0	0
0	0	0	0	0	0
136,012	125,852	10,160	0	0	0
967,863	959,678	8,185	0	0	0
99,212	96,777	2,435	0	0	0
42,208	32,411	9,797	0	0	0
0	0	0	0	0	0
6,000	5,601	399	0	0	0
0	0	0	0	0	0
8,033	8,209	(176)	0	0	0
0	0	0	0	0	0
4,062	4,062	0	0	0	0
47,493	44,296	3,197	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	60,000	60,000	0
0	0	0	44,033	44,033	0
<u>1,311,133</u>	<u>1,277,118</u>	<u>34,015</u>	<u>104,033</u>	<u>104,033</u>	<u>0</u>
<u>234,848</u>	<u>16,448</u>	<u>(218,400)</u>	<u>(104,033)</u>	<u>(104,033)</u>	<u>0</u>
0	0	0	0	0	0
0	158	158	0	0	0
(616)	(1,940)	(1,324)	0	0	0
0	37,787	37,787	0	0	0
(30,305)	(34,454)	(4,149)	0	0	0
0	7,423	7,423	104,033	104,033	0
(203,925)	(547)	203,378	0	0	0
<u>(234,846)</u>	<u>8,427</u>	<u>243,273</u>	<u>104,033</u>	<u>104,033</u>	<u>0</u>
2	24,875	24,873	0	0	0
147,600	147,600	0	0	0	0
0	0	0	0	0	0
<u>\$ 147,602</u>	<u>\$ 172,475</u>	<u>\$ 24,873</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual - Budgetary Basis
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 1999*

	Capital Project Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 333,774	\$ 349,672	\$ 15,898
Intergovernmental	71,350	77,559	6,209
Investment Income	4,000	5,141	1,141
Tuition and Fees	0	0	0
Miscellaneous	0	0	0
Total Revenues	409,124	432,372	23,248
Expenditures			
Instruction			
Regular	8,500	7,851	649
Special	0	0	0
Vocational	46,500	43,127	3,373
Adult/continuing	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	10,450	5,790	4,660
Business	43,200	37,846	5,354
Operation and Maintenance of Plant	65,047	54,712	10,335
Pupil Transportation	500	2,305	(1,805)
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Capital Outlay	15,000	8,613	6,387
Debt Service			
Principal Retirement	69,374	69,374	0
Interest and Fiscal Charges	6,579	6,579	0
Total Expenditures	265,150	236,197	28,953
Excess of Revenues Over (Under) Expenditures	143,974	196,175	52,201
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Advances In	0	0	0
Advances Out	(69,891)	(69,891)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(88,840)	(104,033)	(15,193)
Total Other Financing Sources (Uses)	(158,731)	(173,924)	(15,193)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(14,757)	22,251	37,008
Fund Balance at Beginning of Year	101,803	101,803	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balance at End of Year	\$ 87,046	\$ 124,054	\$ 37,008

See accompanying notes to the general purpose financial statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 2,493,217	\$ 2,555,980	\$ 62,763
0	0	0	2,910,382	2,748,143	(162,239)
676	572	(104)	39,676	48,766	9,090
0	0	0	406,730	348,632	(58,098)
3,681	3,112	(569)	67,033	85,728	18,695
<u>4,357</u>	<u>3,684</u>	<u>(673)</u>	<u>5,917,038</u>	<u>5,787,249</u>	<u>(129,789)</u>
279	279	0	525,336	519,949	5,387
0	0	0	113,498	114,747	(1,249)
0	0	0	1,868,214	1,828,166	40,048
0	0	0	1,087,118	1,076,889	10,229
0	0	0	328,130	323,246	4,884
0	0	0	192,026	175,605	16,421
0	0	0	73,991	66,369	7,622
0	0	0	464,756	457,009	7,747
0	0	0	246,253	221,689	24,564
1,950	1,776	174	56,291	50,671	5,620
0	0	0	547,313	505,831	41,482
0	0	0	10,234	12,512	(2,278)
2,108	1,262	846	50,351	45,853	4,498
0	0	0	0	0	0
0	0	0	15,000	8,613	6,387
0	0	0	129,374	129,374	0
0	0	0	50,612	50,612	0
<u>4,337</u>	<u>3,317</u>	<u>1,020</u>	<u>5,758,497</u>	<u>5,587,135</u>	<u>171,362</u>
20	367	347	158,541	200,114	41,573
0	0	0	1,000	100	(900)
0	0	0	12,000	11,430	(570)
0	0	0	(616)	(1,940)	(1,324)
0	0	0	104,346	142,132	37,786
0	0	0	(140,196)	(142,132)	(1,936)
0	0	0	104,033	111,456	7,423
0	0	0	(337,765)	(111,456)	226,309
<u>0</u>	<u>0</u>	<u>0</u>	<u>(257,198)</u>	<u>9,590</u>	<u>266,788</u>
20	367	347	(98,657)	209,704	308,361
14,382	14,382	0	821,089	821,089	0
0	0	0	0	0	0
<u>\$ 14,402</u>	<u>\$ 14,749</u>	<u>\$ 347</u>	<u>\$ 722,432</u>	<u>\$ 1,030,793</u>	<u>\$ 308,361</u>

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

Combined Statement of Revenues,
Expenses, and Changes in Fund Equity
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Year Ended June 30, 1999

	Proprietary Fund Types			Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues				
Sales	\$ 59,310	\$ 0	\$ 0	\$ 59,310
Charges for Services	0	597,459	0	597,459
Investment Income	0	0	598	598
Other	43,025	0	200	43,225
Total Operating Revenues	102,335	597,459	798	700,592
Operating Expenses				
Salaries	27,667	0	0	27,667
Fringe Benefits	9,457	0	0	9,457
Purchased Services	815	81,615	0	82,430
Materials and Supplies	75,394	0	0	75,394
Depreciation	695	0	0	695
Claims	0	392,114	0	392,114
Other Operating Expenses	0	0	1,000	1,000
Total Operating Expenses	114,028	473,729	1,000	588,757
Operating Income (Loss)	(11,693)	123,730	(202)	111,835
Non-Operating Revenues (Expenses)				
Operating Grants	15,443	0	0	15,443
Donated Commodities Revenue	5,661	0	0	5,661
Investment Income	157	687	0	844
Total Non-Operating Revenues (Expenses)	21,261	687	0	21,948
Net Income (Loss)	9,568	124,417	(202)	133,783
Retained Earnings/Fund Balance (Deficit) at Beginning of Year	14,717	(176,432)	13,874	(147,841)
Retained Earnings/Fund Balance (Deficit) at End of Year	\$ 24,285	\$ (52,015)	\$ 13,672	\$ (14,058)

See accompanying notes to the general purpose financial statements.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Year Ended June 30, 1999

	Proprietary Fund Types			Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash Flows From Operating Activities				
Cash Received from Customers	\$ 59,240	\$ 601,026	\$ 0	\$ 660,266
Interest Income	0	0	598	598
Cash Received from Other Operating Activities	43,542	0	200	43,742
Cash Paid for Goods and Services		(128,780)	0	(128,780)
Cash Paid to Employees	(29,258)	0	0	(29,258)
Cash Paid for Employee Benefits	(13,772)	0	0	(13,772)
Cash Paid for Other Operating Activities	(70,725)	0	(1,000)	(71,725)
Cash Paid for Claims	0	(445,463)	0	(445,463)
Net Cash Provided by (Used For) Operating Activities	(10,973)	26,783	(202)	15,608
Cash Flows From Non-Capital Financing Activities				
Grants	15,153	0	0	15,153
Net Cash Provided By Non-Capital Activities	15,153	0	0	15,153
Cash Flows From Investing Activities				
Interest Income	157	687	0	844
Net Cash Provided By Investing Activities	157	687	0	844
Net Increase (Decrease) in Cash and Cash Equivalents	4,337	27,470	(202)	31,605
Cash and Cash Equivalents at Beginning of Year	15,137	0	13,874	29,011
Cash and Cash Equivalents at End of Year	\$ 19,474	\$ 27,470	\$ 13,672	\$ 60,616
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities				
Operating Income (Loss)	\$ (11,693)	\$ 123,730	\$ (202)	\$ 111,835
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:				
Depreciation	695	0	0	695
Non-cash Donated Commodities	5,661	0	0	5,661
Decrease in Accounts Receivable	447	0	0	447
(Increase) in Prepaid Items	(45)	0	0	(45)
(Increase) in Materials and Supplies	(63)	0	0	(63)
(Increase) in Inventory	(510)	0	0	(510)
(Decrease) in Accounts Payable	0	(47,165)	0	(47,165)
(Decrease) in Accrued Wages and Benefits	(1,501)	0	0	(1,501)
(Decrease) in Compensated Absences Payable	(1,419)	0	0	(1,419)
(Decrease) in Intergovernmental Payable	(2,941)	0	0	(2,941)
Increase in Deferred Revenue	396	3,567	0	3,963
(Decrease) in Claims Payable	0	(53,349)	0	(53,349)
Total Adjustments	720	(96,947)	0	(96,227)
Net Cash Provided by (Used For) Operating Activities	\$ (10,973)	\$ 26,783	\$ (202)	\$ 15,608
Reconciliation of Cash and Cash Equivalents to the Balance Sheet				
Agency Fund	\$ 18,980			
Expendable Trust	14,749			
Nonexpendable Trust	13,672			
Total Cash and Cash Equivalents for Trust and Agency	\$ 47,401			

See accompanying notes to the general purpose financial statements.

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ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

Description of the Entity

The Ashland County-West Holmes Joint Vocational School District, Ashland County, (the "District") is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District, as defined by Section 3311.18 of the Ohio Revised Code, is responsible for providing public education to residents of the member districts. The District is directed by an appointed nine-member Board of Education appointed by participating school districts. Average daily membership on June 30, 1999 was 373. The District employs 66 certificated and 22 non-certificated employees.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles.

The reporting entity is required to be composed of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities. The District has no component units.

The District is involved in a self-insurance trust with three other school districts. The trust is written so a district that withdraws from the plan receives the assets of the plan that were contributed by the district and not paid in benefits. The insurance fund will be included on the GAAP financial statements as an internal service fund. This treatment is consistent with the treatment at the other districts involved.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 to report on its financial position and the results of operations. 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:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Several funds are reclassified for GAAP presentation. The adult education funds (012) are classified as enterprise funds for State of Ohio cash basis financial statements. However, these funds are educational funds, not funds designed to have a profit motivation. They will be classified as special revenue funds for GAAP.

Many of the educational programs operated by the District provide some services to the general public. These services are not provided to generate profit for the District, but to teach the students to deal with the public while they learn. These funds (011) will be classified as general fund for GAAP.

Governmental Fund Types

Governmental fund types 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 be used to pay obligations of the current period, which is considered to be sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or 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 the payment of interest and principal on long-term general obligation debt other than those payable from Proprietary Funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or trust funds.

Proprietary Fund Types

Proprietary fund types are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary funds include the following fund types:

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 of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies, on a cost-reimbursement basis.

Fiduciary Fund Types

Fiduciary fund types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Fund - Expendable trust funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

Nonexpendable Trust Fund - Nonexpendable trust funds are accounted for in essentially the same manner as the proprietary fund types, using the same measurement focus and basis of accounting. The principal of the trust is restricted while the income can be used for the purpose defined in the trust agreement.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Funds - 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

To make clear determination 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 proprietary or nonexpendable trust 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 or nonexpendable trust funds.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified by the County Auditor.

All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of control is at the fund level for all funds. Budgetary modifications may only be made by resolution of the Board of Education.

C. Cash, Cash Equivalents, and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to repurchase agreements.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, textbook/instruction materials reserve, and capital maintenance reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. The capital maintenance reserve and textbook/instruction materials reserve can only be used for capital outlay expenditure and instructional materials and equipment, respectively. During fiscal year 1999, the District set aside the amounts required by state statute. Fund balance reserves have also been established.

E. Receivables

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. No allowances are provided in the financial statement.

F. 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 accompanying notes. Actual results could differ from those estimates.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables." Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

H. Inventory

Inventories of proprietary funds are stated at cost and consist of donated food and purchased food held for resale and are expensed when used. Cost is determined on a first-in, first-out basis.

I. Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: equipment - 5 to 20 years. The capitalization threshold is \$300.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

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 nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. 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 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 termination payment method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of proprietary type funds is reflected as a liability in the respective funds. The current portion of unpaid compensated absences for sick leave related to governmental fund type operations is reflected in the respective funds. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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 obligation account group.

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 expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, contributions to the nonexpendable trust funds that must be kept intact and HB412 reserves such as budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for endowment consists of the principal within the nonexpendable trust fund which cannot be expended.

O. 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. 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
State Property Tax Relief
Adult Basic Literary Education

Agency Fund:

Pell Grant

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants

Special Revenue Funds:

Education Management Information Systems
Eisenhower Grant
Vocational Education
Title VI
Job Training Partnership Act
Professional Development
SchoolNet
Career Education
Teacher Development
School-to-Work Grant

Reimbursable Grants

Enterprise Funds:

National School Lunch Program
Government Donated Commodities
National School Breakfast Program
Child Care Food Program

Grants and entitlements amounted to approximately 42% of the District's operating revenue during the 1999 fiscal year.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "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 eliminations have not been made in the aggregation of this data.

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES

The District has also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the Ohio Public Employees Deferred Compensation Plan. On September 1, 1998, the Ohio Public Employees Deferred Compensation Board created a trust for the assets of the plan for which the District has no fiduciary responsibility. Therefore, the balance of the Ohio Public Employees Deferred Compensation Plan is no longer presented as part of the District's financial statements.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 4: BUDGETARY PROCESS

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit a proposed operating budget to the Board of Education. A budget of estimated revenue and expenditures is submitted to the Ashland 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 determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official Certificate of Estimated Resources which states projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary Basis - All Governmental Fund Types and Expendable Trust Fund" do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

Total fund appropriations may be modified during the year by a resolution of the Board of Education. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis - All Governmental Fund Types and Expendable Trust Fund" represent the final appropriation amounts.

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. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 4: BUDGETARY PROCESS (Continued)

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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the generally accepted accounting principles (GAAP) basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the GAAP basis, the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis - All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and GAAP basis are that:

- 1) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis). There were no outstanding encumbrances at year end.

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures
and Other Financing Uses Reconciliation of Budget Basis to GAAP Basis

Governmental and Expendable Trust Funds:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budgetary Basis	\$ 162,211	\$ 24,875	\$ 22,251	\$ 367
Adjustments:				
Revenue accruals	(65,654)	(18,531)	11,168	289
Expenditure accruals	<u>2,169</u>	<u>36,788</u>	<u>69,968</u>	<u>0</u>
GAAP Basis	<u>\$ 98,726</u>	<u>\$ 43,132</u>	<u>\$ 103,387</u>	<u>\$ 656</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 5: ACCOUNTABILITY

At June 30, 1999, the Self Insurance Fund had a deficit retained earnings of \$52,015, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 6: CASH AND CASH EQUIVALENTS

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

Active deposits are public deposits necessary to meet the 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 the 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 or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 6: CASH AND CASH EQUIVALENTS (Continued)

- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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).*

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, the carrying amount of the District's deposits was \$(22,812) and the bank balance was \$106,732. The bank balance was entirely covered by federal depository insurance.

Funds Held by Fiscal Agent

The District participates in the Tri-County Joint Self-Insurance Association for employee benefits. The amount held at fiscal year end for the Joint Self-Insurance Association was \$27,470. All benefit deposits are made to the association's depository account. Collateral is held by a qualified third-party trustee in the name of the association.

Investments

The District's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the District at fiscal 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 for which securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 6: CASH AND CASH EQUIVALENTS (Continued)

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	<u>\$ 1,105,730</u>	<u>\$ 1,105,730</u>	<u>\$ 1,105,730</u>

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, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,082,918	\$ 0
Investments:		
Repurchase Agreement	<u>(1,105,730)</u>	<u>1,105,730</u>
GASB Statement No. 3	<u>\$ (22,812)</u>	<u>\$ 1,105,730</u>

NOTE 7: FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. General Fixed Assets Account Group

The changes in general fixed assets during the year consisted of:

	Balance July 1, 1998	Additions	Disposals	Balance June 30, 1999
Land	\$ 136,198	\$ 0	\$ 0	\$ 136,198
Buildings and improvements	5,628,110	0	0	5,628,110
Furniture and equipment	2,279,886	67,545	(82,574)	2,264,857
Vehicles	32,795	2,200	0	34,995
Books	<u>316,795</u>	<u>0</u>	<u>0</u>	<u>316,795</u>
Total	<u>\$ 8,393,784</u>	<u>\$ 69,745</u>	<u>\$ (82,574)</u>	<u>\$ 8,380,955</u>

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 7: FIXED ASSETS AND ACCUMULATED DEPRECIATION (Continued)

B. Proprietary Fund Type Fixed Assets

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>June 30, 1999</u>
Equipment	\$ 58,079
Less: Accumulated depreciation	<u>(47,821)</u>
Net fixed assets	<u>\$ 10,258</u>

NOTE 8: LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the fiscal year were as follows:

	<u>Outstanding June 30, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 1999</u>
General Obligation				
Bonds, 5.15% interest rate, due 1/01/06	\$ 590,000	\$ 0	\$ (60,000)	\$ 530,000
Capital lease payable	95,236	0	(69,374)	25,862
Compensated absences	352,152	33,164	0	385,316
Intergovernmental payable	<u>8,036</u>	<u>0</u>	<u>(4,019)</u>	<u>4,017</u>
	<u>\$ 1,045,424</u>	<u>\$ 33,164</u>	<u>\$ (133,393)</u>	<u>\$ 945,195</u>

Outstanding general obligation bonds consist of school building construction issues. Such bonds are direct obligations of the District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property. Proceeds from the bonds were used for energy conservation improvements to the school buildings.

No new debt was issued in 1999.

The annual requirement to amortize all bonds outstanding as of June 30, 1999, including interest payments of \$100,683 are as follows:

Year Ending June 30,	2000	\$ 78,648
	2001	93,947
	2002	90,342
	2003	91,738
	2004	92,875
	Thereafter	<u>183,133</u>
	Total	<u>\$ 630,683</u>

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 9: CAPITAL LEASES

The District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds.

In prior years, general fixed assets, consisting of equipment and furniture and fixtures, have been capitalized in the general fixed assets account group in the amount of \$163,789. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$69,374 in the governmental funds.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 1999:

		General Long-Term Obligations Account <u>Group</u>
Year ending June 30,	2000	\$ 12,870
	2001	12,870
	2002	2,328
	2003	<u>194</u>
Minimum lease payments		28,262
Less: Amount representing interest at the District's incremental borrowing rate of interest		<u>(2,400)</u>
Present value of minimum lease payments		<u>\$ 25,862</u>

NOTE 10: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Ashland County Auditor is responsible for assessing and remitting these property taxes to the District.

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 10: PROPERTY TAXES (Continued)

State law at 35% 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 88% of the true value (with certain exceptions) and on real property at 35% 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 25% 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 to be established.

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

The District receives property taxes from Ashland, Holmes, Wayne, Richland, Knox, Lorain and Coshocton Counties. 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.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 1998 was \$4.10 per \$1,000 of valuation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 1998. 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 is recognized as revenue. The amount available to the District as an advance at June 30, 1999, was \$333,133.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 10: PROPERTY TAXES (Continued)

There were no new levies passed during the current fiscal year. The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 632,454,210	60%	\$ 722,843,160	63%
Commercial Industrial	141,997,870	14%	143,697,880	12%
Public Utility	4,757,000	1%	4,444,300	1%
Tangible Personal Property	<u>267,412,757</u>	<u>25%</u>	<u>271,640,981</u>	<u>24%</u>
Total Assessed Value	<u>\$ 1,046,621,837</u>	<u>100%</u>	<u>\$ 1,142,626,321</u>	<u>100%</u>

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. For fiscal year 1999, 9.02% was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$66,235, \$68,159 and \$59,897, respectively. The District has contributed 100% for all fiscal years.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (STRS)

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The 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% of their annual covered salary and the District is required to contribute 14%; 10.5% was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$411,582, \$391,092 and \$356,092, respectively; 100% has been contributed for each fiscal year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, a portion of the members of the Board of Education have elected social security, and some have chosen the SERS/STRS system. The Board's liability is 6.2% of wages paid.

NOTE 12: 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The State Teachers 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 the 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% of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$103,895 during fiscal year 1999.

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, 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.

For this fiscal year, employer contributions to fund health care benefits were 4.98% of covered payroll, an increase from 4.21% for fiscal year 1998. 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 year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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 \$1,399 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$1,603 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$29,308 during the 1999 fiscal year.

NOTE 13: NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$5,661.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 14: INTERFUND ACTIVITY

At June 30, 1999 receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 37,787	\$ 0
Special Revenue Fund:		
Career Education	0	5,781
Adult Education	0	3,000
Vocational Education Plan Development	<u>0</u>	<u>29,006</u>
Total all funds	<u>\$ 37,787</u>	<u>\$ 37,787</u>

NOTE 15: STATUTORY RESERVES

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 (GAAP basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Balance 7/1/1998	\$ 0	\$ 0	\$ 28,036	\$ 28,036
Required Set-Aside	69,762	69,762	34,881	174,405
Offset Credits	(69,762)	(69,762)	0	(139,524)
Qualifying Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Balance 6/30/1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,917</u>	<u>62,917</u>
Total Restricted Assets				<u>\$ 69,217</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 16: SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of Food Service and Uniform School Supplies. Segment information related to these follows:

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 59,240	\$ 43,095	\$ 102,335
Operating expenses, less depreciation	75,865	37,468	113,333
Depreciation expense	695	0	695
Operating income (loss)	(17,320)	5,627	(11,693)
Donated commodities	5,661	0	5,661
Nonoperating grants	15,443	0	15,443
Investment income	157	0	157
Net income	3,941	5,627	9,568
Net working capital	7,515	12,141	19,656
Total assets	24,328	12,141	36,469
Total equity	12,144	12,141	24,285

NOTE 17: RISK MANAGEMENT

A. General Insurance

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. The District has a comprehensive property and casualty policy with a deductible of \$500 per incident on property and equipment. The District's comprehensive property and casualty policy aggregate limit is approximately \$16,553,700. The District's vehicle insurance policy limit is \$1,000,000 with a \$500 collision deductible. All board members, administrators, and employees are covered under a school district liability policy.

Additionally, the District carries a \$5,000,000 Educational Liability Policy. The limits of this coverage are \$1,000,000 per occurrence and \$5,000,000 in aggregate. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Fidelity Bond

The Board President and Superintendent have a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$50,000. The District's Cashier has a bond in the amount of \$20,000. In addition, the District is covered by a blanket Public Employee Dishonesty Policy in the amount of \$200,000.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 17: RISK MANAGEMENT (Continued)

C. Workers' Compensation

The District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts. The purchasing pool is administered by The Gates McDonald Co.

D. Employee Health Insurance

The District is self insured for its medical and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000 per employee. The liability for unpaid claims cost of \$32,592 is reported in the Internal Service Fund at June 30, 1999 in accordance with Government Accounting Standards Board Statement No. 10. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

Changes in the fund's claim liability for 1998 and 1999 are listed below.

	Balance at Beginning of Year	Claims	Payments	Balance at End of Year
1999	<u>\$ 85,941</u>	<u>\$ 392,114</u>	<u>\$ 445,463</u>	<u>\$ 32,592</u>
1998	<u>\$ 69,053</u>	<u>\$ 510,919</u>	<u>\$ 494,031</u>	<u>\$ 85,941</u>

NOTE 18: JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Joint Self Insurance Association (the "Pool")

The District is a member of the Tri-County Joint Self-Insurance Association (the "Pool"), which provides medical, hospitalization, dental, prescription drug, vision, life and/or disability coverage to eligible employees under the program. Under the agreement, the risk of loss does not transfer to the Pool and each members' share of the Pool is accounted for separately. The Pool may assess supplemental premiums.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 18: JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Tri-County Computer Service Association (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 22 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 districts supports TCCSA based upon per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Wayne County Education Services Center, which serves as fiscal agent, located in Wooster, Ohio.

NOTE 19: CONTINGENCIES

Grants

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

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 the 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 \$1,558,640 of school foundation support for its general fund.

ASHLAND COUNTY-WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 20: SCHOOL FUNDING ISSUE (Continued)

Since the Supreme Court 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 equipment that may adversely affect the District's operations.

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

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and Federal and State 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.

Ashland County collects property taxes for distribution to the District. Ashland County is responsible for remediating the tax collection system.

To the best of management's knowledge and belief, as of January 10, 2000, the District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

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

Federal Grantor/ Pass Through Grantor Program Title	CFDA #	Pass-through Agency Awarding Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Passed through the Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution Program	10.550	Not Available	\$0	\$6,058	\$0	\$5,661
School Breakfast Program	10.553	051417 05-PU 00	960		960	
National School Lunch Program	10.555	051417 04-PU 00	13,409		13,409	
Total U.S. Department of Agriculture - Child Nutrition Cluster			14,369	6,058	14,369	5,661
U.S. DEPARTMENT OF LABOR						
Passed through the Ohio Department of Education:						
Employment Services and Job Training Pilot and Demonstration Programs						
	17.249	062042 WK-BE 00 99	21,985		19,485	
Passed through the Ehone Career Center:						
School to Work Program						
	17.249	Not Available	21,760		16,508	
Total U.S. Department of Labor			43,745		35,993	
U.S. DEPARTMENT OF EDUCATION						
Direct Program:						
Federal Pell Grant Program						
	84.063	Not Applicable	66,033		66,033	
Passed through the Ohio Department of Education:						
Adult Education - State Grant Programs						
	84.002	062042 AB-S1 99	32,947		27,881	
Vocational Education - Basic Grants to States						
	84.048	062042 20-C1 00 98	21,608		10,037	
		062042 20-C1 00 99	128,259		140,977	
		062042 20-C1 00 99	4,149		0	
		062042 20-C2 00 99	36,109		41,884	
Total Vocational Education Program			190,125		192,898	
Technical Preparation						
	84.243	062042 3E-00 99	139		139	
Eisenhower Professional Development Grant						
	84.281	062042 MS-S1 97C 99	(547)		0	
Innovative Education Program Strategies						
	84.298	062042 C2 S1 97C 99	(70)		32	
		06242 C2 S1 98C	0		689	
		062042 C2 S1 99	1,230		932	
Total Innovative Education Program Strategies			1,160		1,653	
Total U.S. Department of Education			289,857		288,604	
Total			\$347,971	\$6,058	\$338,966	\$5,661

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

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

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Federal Awards Receipts and Expenditures (Schedule) is a summary of the activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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

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

Ashland County - West Holmes Joint Vocational School District
Ashland County
1783 State Route 60
Ashland, Ohio 44805

To the Board of Education:

We have audited the general purpose financial statements of the Ashland County - West Holmes Joint Vocational School District, Ashland County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 10, 2000, in which we noted the District changed its method of accounting and reporting for its deferred compensation plan. 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*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 10, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-10503-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 10, 2000.

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



Jim Petro
Auditor of State

January 10, 2000



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

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

Ashland County - West Holmes Joint Vocational School District
Ashland County
1783 State Route 60
Ashland, Ohio 44805

To the Board of Education:

Compliance

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

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 of the District's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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



Jim Petro
Auditor of State

January 10, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

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

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)

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

Reportable Condition

Finding # 1999-10503-001

Estimated resources as certified by the budget commission are not input in the District's computer system for 21 of the 25 Special Revenue Funds, the Debt Service Fund, a certain Capital Project Fund, the Enterprise Funds, or the Expendable Trust Funds.

As a result the Board of Education does not receive budget and actual receipt information and is not able to monitor actual revenue received in these funds as compared to estimates made on the Official Certificate of Estimated Resources.

The Treasurer should input the estimated resources into the proper line item accounts on the system once they have been approved by the Board of Education and certified by the budget commission. *Monthly comparisons of budgeted and actual revenue for all funds should be presented to the Board of Education to allow for monitoring of fiscal operations of the District. The Board of Education should review these reports for significant variances from expectations. Significant variances should be investigated.*

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**SCHEDULE OF PRIOR AUDIT FINDINGS
GAGAS
June 30, 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-10503-01	Expenditures exceeded appropriations in certain Special Revenue, Capital Projects and Enterprise funds	No	The District had expenditures that exceeded appropriations in the Special Revenue and Enterprise funds when tested throughout fiscal year 1999 and General, Special Revenue and Capital Projects funds at fiscal year end.



STATE OF OHIO
OFFICE OF THE AUDITOR

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ASHLAND COUNTY - WEST HOLMES JOINT VOCATIONAL SCHOOL DISTRICT

ASHLAND 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: MARCH 9, 2000