



**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2000**



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2000, 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, 2000, and the results of its operations and the cash flows of its Proprietary Fund Type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2001 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 18, 2001

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STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	<u>Governmental Fund Types</u>		<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Enterprise</u>	<u>Agency</u>	<u>General</u>	<u>General</u>	
					<u>Fixed</u> <u>Assets</u>	<u>Long-Term</u> <u>Obligations</u>	
ASSETS AND OTHER DEBITS							
ASSETS:							
Equity in pooled cash and cash equivalents.	\$2,661,803	\$45,293	\$77,664	\$11,938			\$2,796,698
Receivables (net of allowances of uncollectibles):							
Taxes - current and delinquent	2,742,838						2,742,838
Accounts	400	46					446
Accrued interest.	9,443						9,443
Interfund loan receivable.	2,566						2,566
Due from other governments.	38,000	23,558					61,558
Due from other funds.	28,926						28,926
Materials and supplies inventory.	20,198		3,962				24,160
Restricted assets:							
Equity in pooled cash and cash equivalents	84,035						84,035
Property, plant and equipment (net of accumulated depreciation where applicable)			1,030		\$8,706,629		8,707,659
OTHER DEBITS:							
Amount to be provided for retirement of general long-term obligations.						\$510,203	510,203
Total assets and other debits.	\$5,588,209	\$68,897	\$82,656	\$11,938	\$8,706,629	\$510,203	\$14,968,532

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2000

	<u>Governmental Fund Types</u>		<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Agency</u>	<u>General</u>	<u>General</u>	
					<u>Fixed Assets</u>	<u>Long-Term Obligations</u>	
LIABILITIES, EQUITY AND OTHER CREDITS							
LIABILITIES:							
Accounts payable	\$36,443	\$8,355					\$44,798
Accrued wages and benefits	336,129		\$7,184				343,313
Compensated absences payable	12,080		13,532			\$496,935	522,547
Retirement incentive payable						10,000	10,000
Pension obligation payable	41,581		5,707			3,268	50,556
Due to other governments	10,713	661	444				11,818
Due to other funds		28,926					28,926
Due to students				\$11,938			11,938
Interfund loan payable		2,566					2,566
Deferred revenue	<u>2,602,603</u>		<u>2,405</u>				<u>2,605,008</u>
Total liabilities	<u>3,039,549</u>	<u>40,508</u>	<u>29,272</u>	<u>11,938</u>		<u>510,203</u>	<u>3,631,470</u>
EQUITY AND OTHER CREDITS:							
Investment in general fixed assets					\$8,706,629		8,706,629
Retained earnings: unreserved			53,384				53,384
Fund balances:							
Reserved for encumbrances	323,373	25,015					348,388
Reserved for materials and supplies inventory	20,198						20,198
Reserved for tax revenue unavailable for appropriation	140,902						140,902
Reserved for budget stabilization	84,035						84,035
Unreserved - undesignated	<u>1,980,152</u>	<u>3,374</u>					<u>1,983,526</u>
Total equity and other credits	<u>2,548,660</u>	<u>28,389</u>	<u>53,384</u>		<u>8,706,629</u>		<u>11,337,062</u>
Total liabilities, equity and other credits	<u>\$5,588,209</u>	<u>\$68,897</u>	<u>\$82,656</u>	<u>\$11,938</u>	<u>\$8,706,629</u>	<u>\$510,203</u>	<u>\$14,968,532</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
From local sources:				
Taxes	\$2,852,998			\$2,852,998
Tuition	1,000			1,000
Earnings on investments	147,078			147,078
Rentals	104,115			104,115
Customer services	87,818			87,818
Contributions and donations		\$1,046		1,046
Other local revenues	43,089	7,010		50,099
Intergovernmental - State	2,383,349	48,401	\$34,899	2,466,649
Intergovernmental - Federal		208,253		208,253
Total revenue	5,619,447	264,710	34,899	5,919,056
Expenditures:				
Current:				
Instruction:				
Regular	315,443	230		315,673
Special	62,558			62,558
Vocational	2,570,581	78,614	34,899	2,684,094
Support services:				
Pupil	197,763	116,722		314,485
Instructional staff	177,834	11,621		189,455
Board of education	10,449			10,449
Administration	233,940	7,852		241,792
Fiscal	175,312			175,312
Operations and maintenance	1,175,060			1,175,060
Central		28,206		28,206
Extracurricular activities	13,295	6,200		19,495
Total expenditures	4,932,235	249,445	34,899	5,216,579
Excess of revenues over expenditures	687,212	15,265		702,477
Other financing sources:				
Proceeds from sale of fixed assets	13,244			13,244
Excess of revenues and other financing sources over expenditures	700,456	15,265	0	715,721
Fund balances, July 1	1,846,270	13,124	0	1,859,394
Increase in reserve for inventory	1,934			1,934
Fund balances, June 30	\$2,548,660	\$28,389	\$0	\$2,577,049

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:												
From local sources:												
Taxes.....	\$2,592,186	\$2,849,164	\$256,978							\$2,849,164	\$2,849,164	\$256,978
Tuition.....	1,000	0	(1,000)							1,000	0	(1,000)
Earnings on investments.....	100,000	138,302	38,302							100,000	138,302	38,302
Rentals.....	21,000	67,315	46,315							21,000	67,315	46,315
Customer services.....	110,000	87,818	(22,182)							110,000	87,818	(22,182)
Contributions and donations.....			\$0	\$1,000	\$1,000	\$0				1,000	1,000	0
Other local revenues.....	192,700	42,689	(150,011)	8,000	7,010	(990)				200,700	49,699	(151,001)
Intergovernmental - State.....	2,149,224	2,431,939	282,715	52,630	54,777	2,147	\$40,000	\$34,899	(\$5,101)	2,241,854	2,521,615	279,761
Intergovernmental - Federal.....				180,664	206,116	25,452	40,000	34,899	(5,101)	180,664	206,116	25,452
Total revenues.....	5,166,110	5,617,227	451,117	242,294	268,903	26,609	40,000	34,899	(5,101)	5,448,404	5,921,029	472,625
Expenditures:												
Current:												
Instruction:												
Regular.....	378,127	358,980	19,147	538	356	182				378,665	359,336	19,329
Special.....	91,577	57,254	34,323							91,577	57,254	34,323
Vocational.....	2,853,496	2,698,076	155,420	108,833	95,032	13,801	40,000	34,899	5,101	3,002,329	2,828,007	174,322
Other.....	90	0	90							90	0	90
Support services:												
Pupil.....	235,395	182,087	53,308	140,716	125,008	15,708				376,111	307,095	69,016
Instructional staff.....	189,527	177,914	11,613	14,205	13,531	674				203,732	191,445	12,287
Board of Education.....	14,854	11,131	3,723							14,854	11,131	3,723
Administration.....	268,538	237,396	31,142	7,853	7,853	0				276,391	245,249	31,142
Fiscal.....	201,214	183,510	17,704							201,214	183,510	17,704
Operations and maintenance.....	1,781,376	1,510,859	270,517	10,766	0	10,766				1,792,142	1,510,859	281,283
Central.....	17,450	13,436	4,014	38,645	40,188	(1,543)				38,645	40,188	(1,543)
Extracurricular activities.....	6,031,644	5,430,643	601,001	7,700	6,200	1,500	40,000	34,899	5,101	25,150	19,636	5,514
Total expenditures.....	(865,534)	186,584	1,052,118	(86,962)	(19,265)	67,697				(952,496)	167,319	1,119,815
Excess (deficiency) of revenues over (under) expenditures.....												
Other financing sources (uses):												
Operating transfers in.....				6,662	0	(6,662)				6,662	0	(6,662)
Operating transfers (out).....	(6,662)	0	6,662							(6,662)	0	6,662
Advances in.....	28,000	28,181	181	33,220	490	(32,730)				61,220	28,671	(32,549)
Advances (out).....	(30,220)	(490)	29,730	(30,257)	(28,181)	2,076				(60,477)	(28,671)	31,806
Proceeds from sale of fixed assets.....	0	13,244	13,244							0	13,244	13,244
Total other financing sources (uses).....	(8,882)	40,935	49,817	9,625	(27,691)	(37,316)				743	13,244	12,501
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(874,416)	227,519	1,101,935	(77,337)	(46,956)	30,381				(951,753)	180,563	1,132,316
Fund balances, July 1.....	1,302,103	1,302,103	0	25,068	25,068	0	0	0	0	1,327,171	1,327,171	0
Prior year encumbrances appropriated.....	884,656	884,656	0	4,885	4,885	0	0	0	0	889,541	889,541	0
Fund balances, June 30.....	\$1,312,343	\$2,414,278	\$1,101,935	(\$47,384)	(\$17,003)	\$30,381	\$0	\$0	\$0	\$1,264,959	\$2,397,275	\$1,132,316

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees	\$62,727
Sales/charges for services	<u>117,012</u>
Total operating revenues	<u>179,739</u>
Operating expenses:	
Personal services	121,793
Contract services	2,048
Materials and supplies	97,130
Depreciation	<u>176</u>
Total operating expenses	<u>221,147</u>
Operating loss	<u>(41,408)</u>
Nonoperating revenues:	
Operating grants	30,363
Federal commodities	<u>8,844</u>
Total nonoperating revenues	<u>39,207</u>
Net loss	(2,201)
Retained earnings at July 1.	<u>55,585</u>
Retained earnings at June 30.	<u><u>\$53,384</u></u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$73,964
Cash received from sales/service charges	117,012
Cash payments for personal services	(115,702)
Cash payments for contract services.	(3,326)
Cash payments for materials and supplies.	<u>(88,177)</u>
Net cash used in operating activities	<u>(16,229)</u>
Cash flows from noncapital financing activities:	
Cash received from operating grants	<u>33,763</u>
Net cash provided by noncapital financing activities	<u>33,763</u>
Net increase in cash and cash equivalents	17,534
Cash and cash equivalents at beginning of year	<u>60,130</u>
Cash and cash equivalents at end of year.	<u><u>\$77,664</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$41,408)
Adjustments to reconcile operating income loss to net cash provided by used in operating activities:	
Depreciation	176
Federal donated commodities	8,844
Changes in assets and liabilities:	
Decrease in materials and supplies inventory.	2,519
Decrease in accounts receivable	11,237
Decrease in accounts payable.	(1,966)
Increase in accrued wages and benefits.	1,142
Increase in compensated absences payable.	8,500
Increase in pension obligation payable.	5,707
Decrease in due to other governments	(9,258)
Decrease in deferred revenue	<u>(1,722)</u>
Net cash used in operating activities	<u><u>(\$16,229)</u></u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a seven member Board of Education consisting of one member from each member school’s board of education, and one additional rotating member allowing each member school to have 2 members every 7 years. The District provides educational services as authorized and mandated by state or federal agencies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) 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 body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity.” When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

A. Reporting Entity - (Continued)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

JOINTLY GOVERNED ORGANIZATION

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

PUBLIC ENTITY RISK POOLS

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

General Fund - The general fund is the general operating fund of the District and 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 expenditures for specified purposes.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

B. Fund Accounting - (Continued)

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund type:

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure identifying items which would be subject to accrual for other fund types. At June 30, 2000, there were no accruals for the agency funds which would be subject to accrual in other fund types.

ACCOUNT GROUPS

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

B. Fund Accounting - (Continued)

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

C. Measurement Focus/Basis of Accounting - (Continued)

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

D. Budgets

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

D. Budgets - (Continued)

2. By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund function object level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.
5. Any revisions, that alter the total of any fund appropriation, total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash-basis appropriation.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

D. Budgets - (Continued)

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. All supplemental appropriations were legally enacted by the Board during fiscal 2000. The amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. For enterprise funds, encumbrances outstanding at year end appear as a footnote disclosure in Note 12. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for governmental fund types at fiscal year end.

E. Cash 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

E. Cash and Investments - (Continued)

During fiscal year 2000, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Investments in STAR Ohio are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$147,078, which includes \$5,899 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on 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.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

F. Inventory

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

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. No depreciation is recognized for assets in the general fixed assets account group.

2. Proprietary Fund

Equipment reflected in the proprietary fund is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Depreciation has been provided, where appropriate, on a straight-line basis over an estimated useful life of 10 years.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue 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 revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Career Development

Teacher Development

Educational Management Information System

SchoolNet Professional Development

Tech Prep Expanded/Computer Networking

Job Training Partnership

Carl D. Perkins Grant

Title II

Entry Year Grant

Eisenhower Grant

Enterprise Funds

Adult Education

Reimbursable Grants

Special Revenue

Telecommunications ("E-Rate")

Enterprise Funds

National School Lunch Program

Government Donated Commodities

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

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

H. Intergovernmental Revenues - (Continued)

Grants and entitlements amounted to approximately 44% of the District's operating revenue during the 2000 fiscal year.

I. Compensated Absences

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

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

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

Accumulated vacation and sick pay for governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

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

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

K. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, tax advance unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

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

L. Interfund Transactions - (Continued)

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2000.

An analysis of interfund transactions is presented in Note 5.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 17 for detail of statutory reserves.

N. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 3 -ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balance

Fund balance at June 30, 2000 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Miscellaneous Federal Grants	\$833

The Career Development, Teacher Development and Carl D. Perkins Grant special revenue funds did not comply with Ohio State law, which does not permit a cash-basis deficit at year end. A fund liability has been recorded on a GAAP-basis for the amount of the negative cash balance (See Note 5).

The Miscellaneous Federal Grants special revenue fund complied with Ohio state law, which does not permit a cash-basis deficit at year end. The deficit balance in the Miscellaneous Federal Grants special revenue fund is caused by the application of GAAP, namely in the reporting of a liability for short-term interfund loans received rather than considering it an "other financing source". The deficit balance will be eliminated as revenues become available to repay the short-term interfund loan.

B. Compliance

Contrary to State law, the District had negative cash balances in the Career Development, Teacher Development and Carl D. Perkins Grant special revenue funds of \$18,312, \$477 and \$10,137, respectively. For GAAP purposes, these amounts have been reported as fund liabilities of the special revenue.

Contrary to State law, the District had appropriations which exceeded total estimated resources at year end in the Tech Prep Expanded/Computer Networking and Job Training Partnership/OWE/CETA special revenue funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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 institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested or deposited 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;

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Cash on hand: At fiscal year end, the District had \$200 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits: At year end, the carrying amount of the District's deposits, including nonnegotiable certificates of deposit was \$1,493,422 and the bank balance, including nonnegotiable certificates of deposit was \$1,581,538. Of the bank balance:

1. \$200,000 was covered by federal depository insurance.
2. \$1,381,538 was uninsured and unregistered because it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the custodial credit level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the 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, but not in the District's name.

At June 30, 2000, the District had an investment of \$1,387,111 in STAR Ohio. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A reconciliation between the classifications of equity in pooled cash and cash equivalents on the Combined Balance Sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,880,733	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	(1,387,111)	1,387,111
Cash on hand	<u>(200)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ 1,493,422</u>	<u>\$1,387,111</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$2,566	\$ ---
<u>Special Revenue Funds</u>		
Miscellaneous Federal Grants	<u>---</u>	<u>2,566</u>
Totals	<u>\$2,566</u>	<u>\$2,566</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Amounts “due to” and “due from” other funds to cover negative cash balances at June 30, 2000, consist of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$28,926	\$ - - -
<u>Special Revenue Funds</u>		
Career Development	- - -	18,312
Teacher Development	- - -	477
Carl D. Perkins Grant	<u>- - -</u>	<u>10,137</u>
Totals	<u>\$28,926</u>	<u>\$28,926</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$957,807,221. Agricultural/residential and public utility/minerals real estate represented 71.97% or \$689,360,905 of this total; Commercial & industrial real estate represented 10.16% or \$97,284,260 of this total, public utility tangible represented 6.75% or \$64,619,310 of this total and general tangible property represented 11.12% or \$106,542,746 of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$3.50 per \$1,000.00 of assessed valuation for operations.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

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.

The District receives property taxes from Carroll, Columbiana, Stark, Summit, Tuscasawas, and Wayne Counties. The District County Treasurers collect property taxes on behalf of the District. The County Auditors periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount of tax advance available at year end was \$140,902 and has been recorded as revenue.

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts, accrued interest, interfund loans, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$2,742,838
Accounts	400
Accrued interest	9,443
Interfund loans	2,566
Due from other governments	38,000
 <u>Special Revenue Fund</u>	
Due from other governments	23,558

NOTE 8 - FIXED ASSETS

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

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2000</u>
Land, buildings and improvements	\$6,173,624	\$500,318	\$ ---	\$6,673,942
Furniture, fixtures and equipment	1,725,514	386,511	(146,929)	1,965,096
Vehicles	<u>69,791</u>	<u>---</u>	<u>(2,200)</u>	<u>67,591</u>
Total	<u>\$7,968,929</u>	<u>\$886,829</u>	<u>\$(149,129)</u>	<u>\$8,706,629</u>

There was no significant construction in progress at June 30, 2000.

A summary of the proprietary fixed assets at June 30, 2000 follows:

Furniture, fixtures and equipment	\$ 19,557
Less: accumulated depreciation	<u>(18,527)</u>
 Net fixed assets	 <u>\$ 1,030</u>

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligations will be paid from the fund in which the employee was paid. Compensated absences and the retirement incentive are presented net of actual increases and decreases because of the practicality of determining these values.

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2000</u>
Compensated absences payable	\$512,684	\$ - - -	\$ (15,749)	\$496,935
Retirement incentive payable	0	10,000	- - -	10,000
Pension obligation payable	<u>4,020</u>	<u>3,268</u>	<u>(4,020)</u>	<u>3,268</u>
Total	<u>\$516,704</u>	<u>\$13,268</u>	<u>\$(19,769)</u>	<u>\$510,203</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$86,202,650 and an unvoted debt margin of \$957,807.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 305 days. Upon retirement, payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 66 days severance pay at the daily rate of the employee.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 10 - EMPLOYEE BENEFITS - (Continued)

B. Life Insurance

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

C. Retirement Incentive

The District had a retirement incentive bonus in place during fiscal year 2000. This bonus is available to both classified and certified employees in the amount of \$10,000 and \$15,000, respectively. Employees retiring the first time they are eligible to retire based upon SERS/STRS eligibility will receive the bonus. First time eligibility means:

- a. Any age with at least 30 years of service credit
- b. Age 55 or over with at least 25 years of service credit
- c. Age 60 or over with at least five years of service credit.

However, if an employee has less than 30 years service credit (including time to be purchased) and chooses not to retire when first time eligible, in order to qualify for the bonus he/she must declare to the Superintendent in writing by April 1 of that year that his/her retirement will occur when he/she has reached 30 years of service credit with SERS/STRS (including time to be purchased).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2000, the District contracted with Indiana Insurance Company for property and fleet insurance, commercial crime insurance and inland marine coverage and with Nationwide Insurance Company for liability insurance. Coverages provided by Nationwide Insurance are as follows:

	Coverage	Deductible
Buildings, Contents and Boiler	\$13,952,088	\$5,000
Inland Marine Coverage	417,553	100
Automobile Liability	1,000,000	0
Uninsured Motorists	1,000,000	0
Commercial Crime Insurance	5,000	100
General Liability:		
Per Occurrence	1,000,000	0
Aggregate	5,000,000	0

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

B. Shared Risk Pool

The District has contracted with the Stark County Schools Council of Government's (Council) Health Benefits Program to provide employee medical/surgical and dental benefits. The Council's Health Benefits Program is a shared risk pool comprised of 15 Stark County Districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting District subsequent to the settlements of all expenses and claims. The District pays premiums of \$525.40 for family coverage and \$215.79 for single coverage per employee per month.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 11 - RISK MANAGEMENT - (Continued)

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

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, school supplies, and adult education. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$117,012	\$5,291	\$57,436	\$179,739
Operating expenses				
before depreciation	154,623	3,645	62,703	220,971
Depreciation	176	---	---	176
Operating income (loss)	(37,787)	1,646	(5,267)	(41,408)
Federal donated				
commodities	8,844	---	---	8,844
Operating grants	21,185	---	9,178	30,363
Net income (loss)	(7,758)	1,646	3,911	(2,201)
Net working capital	23,669	4,201	38,016	65,886
Total assets	40,258	4,201	38,197	82,656
Total liabilities	29,091	---	181	29,272
Total equity	11,167	4,201	38,016	53,384
Encumbrances outstanding				
at June 30, 2000	---	---	---	---

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS to fund pension obligations for the fiscal years ended June 30, 2000, 1999 and 1998 were \$28,882, \$39,599, and \$43,434, respectively; 100 percent has been contributed for fiscal year 2000, 1999 and 1998.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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, or by calling (614) 227-4090.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS to fund pension obligations for the fiscal years ended June 30, 2000, 1999, and 1998 were \$124,244, \$116,406, and \$199,961, respectively; 100 percent has been contributed for fiscal year 2000, 1999 and 1998.

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. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and 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.

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 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$165,659 during fiscal 2000.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$56,470 during the 2000 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess (Deficiency) and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$227,519	\$(46,956)	\$ 0
Net adjustment for revenue accruals	2,220	(4,193)	---
Net adjustment for expenditure accruals	137,922	5,353	---
Net adjustment for other financing sources (uses)	(27,691)	27,691	---
Encumbrances (budget basis)	<u>360,486</u>	<u>33,370</u>	<u>---</u>
GAAP basis	<u>\$700,456</u>	<u>\$15,265</u>	<u>\$ 0</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

There is no current litigation pending which would have a material effect on the financial statements.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$2,047,984 of school foundation support for its general fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 16 - CONTINGENCIES - (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the (Ohio) Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 0	\$ 0	\$ 63,614
Current year set-aside requirement	128,329	128,329	20,421
Current year offsets	---	---	---
Qualifying disbursements	<u>(263,663)</u>	<u>(128,329)</u>	<u>---</u>
Total	<u>\$(135,334)</u>	<u>\$ 0</u>	<u>\$84,035</u>
Cash balance carried forward to FY 2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$84,035</u>

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$84,035</u>
Total restricted assets	<u>\$84,035</u>

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the general purpose financial statements of Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-11276-001 and 2000-11276-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 18, 2001.

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

Jim Petro
Auditor of State

January 18, 2001

**STARK COUNTY AREAS VOCATIONAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2000-11276-001
-----------------------	----------------

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the District to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources when amending estimated resources.

During fiscal year 2000, total appropriations exceeded total estimated resources at year end as follows:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue Tech Prep Expanded/Comp Networking Fund (#499)	\$0	\$30,000	\$30,000
Special Revenue Job Training Part Act/OWE/CETA Fund (#502)	17,215	37,225	20,010

The District should more closely monitor appropriations versus estimated resources to help avoid overspending. In addition, the Treasurer should obtain the required certificate from the County Auditor when amending appropriations and estimated resources.

Finding Number	2000-11276-002
-----------------------	----------------

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund is established. At June 30, 2000 the District had negative cash fund balances in the following funds:

Special Revenue Funds

Career Development Fund (#409)	\$18,312
Teacher Development Fund (#416)	477
Carl D. Perkins Grant Fund (#524)	10,137

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. We recommend fund activity be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code or Auditor of State Bulletin 97-003, respectively.



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STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2001**