



**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2001**



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 the Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America 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, 2001, and the results of its operations and the cash flows of its Proprietary Fund Type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District adopted Governmental Accounting Standards Board Statement No. 33 during the year ended June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2001 on our consideration of the Government'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

November 16, 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, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
<u>ASSETS AND OTHER DEBITS</u>								
ASSETS:								
Equity in pooled cash and cash equivalents.	\$5,463,405	\$30,124	\$2,500	\$64,659	\$16,515			\$5,577,203
Receivables (net of allowances of uncollectibles):								
Taxes - current and delinquent	2,651,745							2,651,745
Accounts	2,875							2,875
Accrued interest.	4,028							4,028
Interfund loan receivable.	47,416							47,416
Due from other governments.		41,107		1,888				42,995
Prepayments	13,498							13,498
Materials and supplies inventory.	22,072			5,257				27,329
Restricted Assets:								
Equity in pooled cash and cash equivalents.	43,685							43,685
Property, plant and equipment (net of accumulated depreciation where applicable)				1,955		\$9,221,590		9,223,545
OTHER DEBITS:								
Amount to be provided for retirement of general long-term obligations.							\$538,230	538,230
Total assets and other debits.	<u>\$8,248,724</u>	<u>\$71,231</u>	<u>\$2,500</u>	<u>\$73,759</u>	<u>\$16,515</u>	<u>\$9,221,590</u>	<u>\$538,230</u>	<u>\$18,172,549</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 BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2001

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS								
LIABILITIES:								
Accounts payable	\$74,542	\$0		\$156				\$74,698
Accrued wages and benefits	329,586	299		7,123				337,008
Compensated absences payable	40,084			5,451			\$521,866	567,401
Retirement incentive payable							15,000	15,000
Pension obligation payable	40,225	42		5,704			1,364	47,335
Due to other governments	56,614	4,612		345				61,571
Due to students					\$16,515			16,515
Interfund loan payable		47,416						47,416
Deferred revenue	2,631,606	24,301		3,450				2,659,357
Total liabilities	3,172,657	76,670		22,229	16,515		538,230	3,826,301
EQUITY AND OTHER CREDITS:								
Investment in general fixed assets						\$9,221,590		9,221,590
Retained earnings: unreserved				51,530				51,530
Fund balances:								
Reserved for encumbrances	260,196	6,131						266,327
Reserved for materials and supplies inventory	22,072							22,072
Reserved for prepayments	13,498							13,498
Reserved for tax revenue unavailable for appropriation	23,940							23,940
Reserved for budget stabilization	43,685							43,685
Unreserved - undesignated (deficit)	4,712,676	(11,570)	\$2,500					4,703,606
Total equity and other credits	5,076,067	(5,439)	2,500	51,530		9,221,590		14,346,248
Total liabilities, equity and other credits	\$8,248,724	\$71,231	\$2,500	\$73,759	\$16,515	\$9,221,590	\$538,230	\$18,172,549

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
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
From local sources:				
Taxes	\$2,869,420			\$2,869,420
Tuition	682,137			682,137
Earnings on investments	209,905			209,905
Rentals	56,316			56,316
Customer services	132,923			132,923
Other local revenues	107,406	\$9,991		117,397
Intergovernmental - State	3,790,172	56,805	\$64,829	3,911,806
Intergovernmental - Federal		155,088		155,088
Total revenue	7,848,279	221,884	64,829	8,134,992
Expenditures:				
Current:				
Instruction:				
Regular	421,081	671		421,752
Special	88,237			88,237
Vocational	3,229,201	98,218	62,329	3,389,748
Support services:				
Pupil	211,645	109,877		321,522
Instructional staff	153,907	18,794		172,701
Board of education	13,916			13,916
Administration	253,503	8,200		261,703
Fiscal	172,648			172,648
Business	18,240			18,240
Operations and maintenance	731,611			731,611
Central	3,626	31,531		35,157
Extracurricular activities	11,564	2,808		14,372
Total expenditures	5,309,179	270,099	62,329	5,641,607
Excess of revenues over (under) expenditures	2,539,100	(48,215)	2,500	2,493,385
Other financing sources (uses):				
Operating transfers in		14,387		14,387
Operating transfers out	(14,387)			(14,387)
Proceeds from sale of fixed assets	820			820
Total other financing sources (uses)	(13,567)	14,387		820
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,525,533	(33,828)	2,500	2,494,205
Fund balances, July 1	2,548,660	28,389	0	2,577,049
Increase in reserve for inventory	1,874			1,874
Fund balances (deficit), June 30	\$5,076,067	(\$5,439)	\$2,500	\$5,073,128

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
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:												
From local sources:												
Taxes.....	\$2,054,886	\$2,986,230	\$931,344							\$2,054,886	\$2,986,230	\$931,344
Tuition.....	470,081	683,137	213,056							470,081	683,137	213,056
Earnings on investments.....	150,427	218,605	68,178							150,427	218,605	68,178
Rentals.....	64,213	93,316	29,103							64,213	93,316	29,103
Customer services.....	78,000	132,923	54,923							78,000	132,923	54,923
Other local revenues.....	72,205	104,931	32,726	\$10,000	\$10,037	\$37				82,205	114,968	32,763
Intergovernmental - State.....	2,608,095	3,790,172	1,182,077	65,000	56,806	(8,194)	\$0	\$64,829	\$64,829	2,673,095	3,911,807	1,238,712
Intergovernmental - Federal.....				191,270	161,840	(29,430)				191,270	161,840	(29,430)
Total revenues.....	<u>5,497,907</u>	<u>8,009,314</u>	<u>2,511,407</u>	<u>266,270</u>	<u>228,683</u>	<u>(37,587)</u>	<u>0</u>	<u>64,829</u>	<u>64,829</u>	<u>5,764,177</u>	<u>8,302,826</u>	<u>2,538,649</u>
Expenditures:												
Current:												
Instruction:												
Regular.....	425,472	444,040	(18,568)	1,179	671	508				426,651	444,711	(18,060)
Special.....	176,824	85,139	91,685							176,824	85,139	91,685
Vocational.....	3,986,741	3,395,618	591,123	84,870	105,513	(20,643)	34,899	62,329	(27,430)	4,106,510	3,563,460	543,050
Support services:												
Pupil.....	289,615	214,624	74,991	130,367	110,125	20,242				419,982	324,749	95,233
Instructional staff.....	194,784	161,622	33,162	20,955	18,447	2,508				215,739	180,069	35,670
Board of Education.....	12,703	13,901	(1,198)							12,703	13,901	(1,198)
Administration.....	274,520	260,271	14,249	7,518	8,468	(950)				282,038	268,739	13,299
Fiscal.....	190,759	177,555	13,204							190,759	177,555	13,204
Business.....	17,000	19,983	(2,983)							17,000	19,983	(2,983)
Operations and maintenance.....	895,097	806,259	88,838							895,097	806,259	88,838
Central.....	7,200	3,626	3,574	34,075	36,217	(2,142)				41,275	39,843	1,432
Extracurricular activities.....	11,190	11,562	(372)	4,014	4,809	(795)				15,204	16,371	(1,167)
Total expenditures.....	<u>6,481,905</u>	<u>5,594,200</u>	<u>887,705</u>	<u>282,978</u>	<u>284,250</u>	<u>(1,272)</u>	<u>34,899</u>	<u>62,329</u>	<u>(27,430)</u>	<u>6,799,782</u>	<u>5,940,779</u>	<u>859,003</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(983,998)</u>	<u>2,415,114</u>	<u>3,399,112</u>	<u>(16,708)</u>	<u>(55,567)</u>	<u>(38,859)</u>	<u>(34,899)</u>	<u>2,500</u>	<u>37,399</u>	<u>(1,035,605)</u>	<u>2,362,047</u>	<u>3,397,652</u>
Other financing sources (uses):												
Operating transfers in.....				0	14,387	14,387				0	14,387	14,387
Operating transfers out.....	0	(14,387)	(14,387)							0	(14,387)	(14,387)
Advances in.....	0	577	577	0	45,427	45,427				0	46,004	46,004
Advances out.....	(30,000)	(45,427)	(15,427)	0	(577)	(577)				(30,000)	(46,004)	(16,004)
Proceeds from sale of fixed assets.....	0	820	820							0	820	820
Total other financing sources uses.....	<u>(30,000)</u>	<u>(58,417)</u>	<u>(28,417)</u>	<u>0</u>	<u>59,237</u>	<u>59,237</u>				<u>(30,000)</u>	<u>820</u>	<u>30,820</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)...	<u>(1,013,998)</u>	<u>2,356,697</u>	<u>3,370,695</u>	<u>(16,708)</u>	<u>3,670</u>	<u>20,378</u>	<u>(34,899)</u>	<u>2,500</u>	<u>37,399</u>	<u>(1,065,605)</u>	<u>2,362,867</u>	<u>3,428,472</u>
Fund balances, July 1.....	2,414,278	2,414,278	0	(17,003)	(17,003)	0	0	0	0	2,397,275	2,397,275	0
Prior year encumbrances appropriated.....	360,486	360,486	0	33,370	33,370	0	0	0	0	393,856	393,856	0
Fund balances, June 30.....	<u>\$1,760,766</u>	<u>\$5,131,461</u>	<u>\$3,370,695</u>	<u>(\$341)</u>	<u>\$20,037</u>	<u>\$20,378</u>	<u>(\$34,899)</u>	<u>\$2,500</u>	<u>\$37,399</u>	<u>\$1,725,526</u>	<u>\$5,153,998</u>	<u>\$3,428,472</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 REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$42,031
Sales/charges for services	124,362
Total operating revenues	166,393
Operating expenses:	
Personal services	106,649
Contract services	3,251
Materials and supplies	104,149
Depreciation	176
Total operating expenses	214,225
Operating loss	(47,832)
Nonoperating revenues:	
Operating grants	37,604
Federal commodities	8,374
Total nonoperating revenues	45,978
Net loss	(1,854)
Retained earnings at July 1.	53,384
Retained earnings at June 30.	\$51,530

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, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$42,031
Cash received from sales/service charges	124,362
Cash payments for personal services	(114,893)
Cash payments for contract services.	(3,251)
Cash payments for materials and supplies.	(96,970)
Net cash used in operating activities	(48,721)
Cash flows from noncapital financing activities:	
Cash received from operating grants	35,716
Net cash provided by noncapital financing activities	35,716
Net decrease in cash and cash equivalents	(13,005)
Cash and cash equivalents at beginning of year	77,664
Cash and cash equivalents at end of year.	\$64,659
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$47,832)
Adjustments to reconcile operating income loss to net cash provided by used in operating activities:	
Depreciation	176
Federal donated commodities	8,374
Changes in assets and liabilities:	
Increase in materials and supplies inventory.	(1,295)
Increase in property, plant, and equipment	(1,101)
Increase in accounts payable.	157
Decrease in accrued wages and benefits	(61)
Decrease in compensated absences payable	(8,080)
Decrease in pension obligation payable.	(4)
Decrease in due to other governments	(100)
Increase in deferred revenue	1,045
Net cash used in operating activities	(\$48,721)

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 YEAR ENDED JUNE 30, 2001**

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. During fiscal 2001, the District entered into a vocational educational cooperative agreement to also provide vocational education programs for students of the Perry Local School District. This vocational educational cooperative agreement is effective for 5 years and may be renewed for an additional 5 years if each party agrees.

The District operates under a seven-member Board of Education consisting of 1 member from each member school’s board of education, and 1 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. The District employs 24 noncertified and 49 certified employees to provide services to approximately 434 students.

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

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

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.

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 15 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 YEAR ENDED JUNE 30, 2001
(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 YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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, 2001, there were no accruals for the agency fund, 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 YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 60 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, 2001, and which are intended to finance fiscal 2002 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
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 2001.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the object level of expenditures for the general fund and at the fund level of expenditures for all other funds, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures for all funds except the general fund, 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 function expenditures within the general fund or the fund expenditures within all other funds 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.
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 do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. No supplemental appropriations were legally enacted by the Board during fiscal 2001. The amounts reported in the budgetary statement reflect the original appropriations 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 legal level of budgetary control.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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.

During fiscal year 2001, 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, 2001.

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 2001 amounted to \$209,905, which includes \$6,140 assigned from other District funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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.

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
Educational Management Information System
SchoolNet Professional Development
Job Training Partnership
Carl D. Perkins Grant
Local Professional Development

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

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

Non-Reimbursable Grants - (Continued)

Special Revenue Funds- (Continued)

Title II
Entry Year Grant
Eisenhower Grant

Enterprise Funds

Adult Education

Capital Projects Funds

Vocational Education Equipment
SchoolNet

Reimbursable Grants

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 49% of the District's operating revenue during the 2001 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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, prepayments, 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.
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, 2001.

An analysis of interfund transactions is presented in Note 5.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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. Prepayments

Prepayments represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At year-end, because prepayments for governmental funds are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

O. 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.

P. 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 YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 3 -ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as of July 1, 2000.

B. Deficit Fund Balance

Fund balance at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Career Development	\$ 7,136
Entry Year	900
Carl D. Perkins Grant	20,440
Miscellaneous Federal Grants	542

These funds complied with Ohio state law, which does not permit a cash-basis deficit at year-end. These deficits were caused by the recording of accounts payable and the accruing of wage, benefit and retirement obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other subsidies not recognized at June 30.

C. Compliance

Contrary to State law, the District had appropriations which exceeded total estimated resources at year-end in several funds.

Contrary to the Ohio Revised Code Section 5705.41 (B), certain expenditures exceeded appropriations at the District's "legal level of control", which is the object level of expenditures within the general fund and the fund level of expenditures for all other funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 3 -ACCOUNTABILITY AND COMPLIANCE - (Continued)

Contrary to the Ohio Revised Code Section 5705.10, the District had negative fund cash balances during the year. These negative balances were alleviated by year-end.

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 YEAR ENDED JUNE 30, 2001
(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% 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% 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 YEAR ENDED JUNE 30, 2001
(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 \$2,098,360 and the bank balance, including nonnegotiable certificates of deposit, was \$2,194,754. Of the bank balance:

1. \$474,580 was covered by federal depository insurance; and
2. \$1,720,174 was uninsured and unregistered as defined by GASB although 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, 2001, the District had an investment of \$3,522,328 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 YEAR ENDED JUNE 30, 2001
(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	\$ 5,620,888	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	(3,522,328)	3,522,328
Cash on hand	(200)	---
GASB Statement No. 3	<u>\$ 2,098,360</u>	<u>\$3,522,328</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$47,416	\$ ---
<u>Special Revenue Funds</u>		
Career Development	---	6,970
Entry Year Grant	---	900
Job Training Partnership	---	12,790
Carl D. Perkins Grant	---	24,301
Title II	---	333
Miscellaneous Federal Grants	---	2,122
Totals	<u>\$47,416</u>	<u>\$47,416</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$14,387
<u>Special Revenue Funds</u>		
Career Development	13,763	---
Teacher Development	531	---
Job Training Partnership	<u>93</u>	<u>---</u>
Totals	<u>\$14,387</u>	<u>\$14,387</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 \$1,058,639,692. Agricultural/residential and public utility/minerals real estate represented 74.06% or \$784,012,156 of this total; Commercial & industrial real estate represented 10.08% or \$106,744,080 of this total, public utility tangible represented 5.84% or \$61,772,770 of this total and general tangible property represented 10.02% or \$106,110,686 of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$2.00 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 YEAR ENDED JUNE 30, 2001
(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, Tuscarawas, and Wayne Counties. The District County Treasurers collect property taxes on behalf of the District. The County Auditors periodically remit 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, 2001.

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 \$23,940 and has been recorded as revenue.

Taxes available for advance and recognized as revenue, but not received by the district prior to June 30, 2001, 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, 2001, 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 YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$2,651,745
Accounts	2,875
Accrued interest	4,028
Interfund loans	47,416
 <u>Special Revenue Fund</u>	
Due from other governments	41,107
 <u>Enterprise Funds</u>	
Due from other governments	1,888

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, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Land, buildings and improvements	\$6,673,942	\$340,507	\$ (1,802)	\$7,012,647
Furniture, fixtures and equipment	1,965,096	232,174	(55,918)	2,141,352
Vehicles	<u>67,591</u>	<u>0</u>	<u>0</u>	<u>67,591</u>
Total	<u>\$8,706,629</u>	<u>\$572,681</u>	<u>\$(57,720)</u>	<u>\$9,221,590</u>

There was no significant construction in progress at June 30, 2001.

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture, fixtures and equipment	\$ 20,820
Less: accumulated depreciation	<u>(18,865)</u>
Net fixed assets	<u>\$ 1,995</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences, the retirement incentive, and the pension obligations will be paid from the fund in which the employee was paid. Compensated absences are presented net of actual increases and decreases due to of the practicality of determining these values.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Compensated absences payable	\$496,935	\$24,931	\$ 0	\$521,866
Retirement incentive payable	10,000	15,000	(10,000)	15,000
Pension obligation payable	<u>3,268</u>	<u>1,364</u>	<u>(3,268)</u>	<u>1,364</u>
Total	<u>\$510,203</u>	<u>\$41,295</u>	<u>\$(13,268)</u>	<u>\$538,230</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, 2001 are a voted debt margin of \$95,277,572 and an unvoted debt margin of \$1,058,640.

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 310 days. Upon retirement, payment is made for 25% 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 YEAR ENDED JUNE 30, 2001
(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 2001. 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 5 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).

At June 30, 2001, one employee elected to take the retirement incentive bonus. The liability is recorded in the general long-term obligations account group.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(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 2001, 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. Buildings are 90% co-insured. A summary of coverages provided are as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings, Contents and Boiler	\$15,174,744	\$5,000
Inland Marine Coverage	388,827	100
Automobile Liability	1,000,000	0
Uninsured Motorists	1,000,000	0
Commercial Crime Insurance	5,000	100
General Liability:		
Per Occurrence	2,000,000	0
Aggregate	5,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Shared Risk Pool

The District has contracted with the Stark County Schools Council of Government (Council) Health Benefits Program to provide employee medical/surgical, dental and vision 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 90% of the premium for medical and dental coverage and 100% of the premium for vision coverage. The following amounts were paid by the District in fiscal 2001:

	<u>Family</u>	<u>Single</u>
Medical	\$453.19	\$186.55
Dental	58.44	23.69
Vision	13.78	5.55

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 insures that each participant pays an equitable share of the cost.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$124,362	\$6,600	\$35,431	\$166,393
Operating expenses				
before depreciation	146,337	5,398	62,314	214,049
Depreciation	176	---	---	176
Operating income (loss)	(22,151)	1,202	(26,883)	(47,832)
Federal donated				
commodities	8,374	---	---	8,374
Operating grants	19,905	---	17,699	37,604
Net income (loss)	6,128	1,202	(9,184)	(1,854)
Net working capital	27,338	5,403	27,990	60,731
Total assets	38,628	5,464	29,667	73,759
Total liabilities	21,333	61	835	22,229
Total equity	17,295	5,403	28,832	51,530
Encumbrances outstanding				
at June 30, 2001	1,935	61	4,445	6,441

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% 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, 2001, 2000 and 1999 were \$25,482, \$28,882, and \$39,599, respectively; 100% has been contributed for fiscal year 2001, 2000 and 1999.

A. 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.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% 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% for members and 14% for employers. The District's required contributions to STRS to fund pension obligations for the fiscal years ended June 30, 2001, 2000, and 1999 were \$271,532, \$124,244, and \$116,406, respectively; 100% has been contributed for fiscal years 2001, 2000 and 1999.

B. 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% of wages paid.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. STRS and SERS 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% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$128,621 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 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% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. 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 2001, the minimum pay was 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$67,463 during the 2001 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:

- (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).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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:

	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$2,356,697	\$ 3,670	\$2,500
Net adjustment for revenue accruals	(161,035)	(6,799)	---
Net adjustment for expenditure accruals	(90,607)	4,064	---
Net adjustment for other financing sources (uses)	44,850	(44,850)	---
Encumbrances (budget basis)	<u>375,628</u>	<u>10,087</u>	<u>---</u>
GAAP basis	<u><u>\$2,525,533</u></u>	<u><u>\$(33,828)</u></u>	<u><u>\$2,500</u></u>

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, 2001.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

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

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 17, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(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, 2001, 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, 2000	\$ 0	\$ 0	\$ 84,035
Current year set-aside requirement	126,360	126,360	22,627
Reduction authorized by legislative revisions	---	---	(62,977)
Current year offsets	---	---	---
Qualifying disbursements	<u>(200,881)</u>	<u>(285,919)</u>	<u>---</u>
Total	<u>\$ (74,521)</u>	<u>\$(159,559)</u>	<u>\$ 43,685</u>
Cash balance carried forward to FY 2002	<u>\$ (74,521)</u>	<u>\$ 0</u>	<u>\$ 43,685</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies previously reported in the budget stabilization reserve, with the exception of the Workers Compensation Refunds, are now reported as unreserved and undesignated fund equity in the general fund. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.



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 financial statements of Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 16, 2001, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 2001-11276-002, 2001-11276-003 and 2001-11276-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 16, 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. However, we noted a certain 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 2001-11276-001.

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 consider item 2001-11276-001 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 16, 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

November 16, 2001

SCHEDULE OF FINDINGS

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2001**

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

Finding Number	2001-11276-001
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RECONCILIATIONS - MATERIAL WEAKNESS

We noted the following conditions during our testing of the monthly bank reconciliations:

- For several months, the District carried several reconciling items for payroll withholdings not remitted to the appropriate agencies in the appropriate amounts that were not investigated and not supported by the appropriate documentation;
- The District recorded the same CD interest more than once;
- The District double posted various receipts;
- The District wrote a check to the District for an expense that did not exist to balance out the year end reconciliation;
- The District's outstanding check list contained stale-dated checks; and
- The Board did not review and approve the monthly reconciliations.

Monthly bank reconciliations, which are incomplete, contain unsupported reconciling items, and do not include follow up procedures to investigate unusual reconciling items increases the possibility that errors or irregularities may occur and not be detected timely.

To improve the monthly reconciliation process, the District should:

- Prepare accurate and complete monthly reconciliations of all bank accounts within 30 days of the prior month-end;
- Verify all withholding remittances to the payroll reports for accuracy before submitting them to the appropriate agencies;
- Verify monthly receipts per the system to the bank statements and investments slips;
- Review the outstanding check list to determine those checks that have been outstanding for more than six months. These checks should be voided and the corresponding money should be brought back on the books. A listing of these checks should be maintained;
- Unusual reconciling items should be investigated to determine whether transaction posting or other errors exist;
- Reconciling items should be supported by appropriate documentation, and the documentation should be maintained on file with the monthly reconciliations.

In addition, the Board can improve the reconciliation process by:

- Reviewing the monthly reconciliations, questioning any reconciling items, and documenting their review in the minutes; and
- On a test basis, reviewing, in detail, the checks being written by the District for any unusual disbursements.

Finding Number	2001-11276-002
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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 when amending estimated resources.

At June 30, 2001, total appropriations exceeded total estimated resources as follows:

Fund	Estimated Resources	Appropriations	Variance
409	\$41,668	\$62,441	(\$20,753)
416	(477)	4,664	(5,141)
432	5,171	10,495	(5,325)
502	1,999	17,605	(15,606)
420	0	34,899	(34,899)

In addition, the District did not obtain a certificate from the County Auditor that appropriations from each fund did not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments. The School Board should 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	2001-11276-003
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Ohio Rev. Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. The District had negative cash fund balances in the following funds at various times during fiscal year 2001:

Special Revenue Funds	
409 Career Development	(\$21,412.24)
416 Teacher Dev Block Grant	(750.16)
432 EMIS Grant	(4,182.81)
450 OneNet	(10,462.00)
502 Job Training	(12,788.80)
524 Carl D. Perkins Grant	(16,950.41)
573 Title VI	(28.03)

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. Fund activity should 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 Rev. Code.

Finding Number	2001-11276-004
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Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At June 30, 2001, object level expenditures exceeded appropriations within the General Fund for the following functions/objects:

<u>Function/Object</u>	<u>Overexpended</u>
1100 - 600	\$ 426
1200 - 500	1,827
1200 - 600	598
2200 - 200	1,095
2300 - 200	812
2300 - 500	10
2400 - 200	36
2400 - 400	181
2500 - 100	7,740
2500 - 200	151
2700 - 100	307
2900 - 400	1,150
4300 - 100	279
4300 - 400	263

At June 30, 2001, fund level expenditures exceeded appropriations within the following Special Revenue, Enterprise, and Agency funds:

<u>Fund</u>	<u>Overexpended</u>
007	\$ 1,167
006	14,222
009	1,065
200	9,627
440	900
452	14,271
499	4,170
524	10,375

In addition, fund level expenditures exceeded appropriations throughout the year in fund 200 and fund 499.

The Treasurer should frequently compare actual expenditures to appropriations throughout the year at the legal level of control to avoid potential overspending.

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**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY
FOR THE YEAR ENDED JUNE 30, 2001**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-11276-001	Ohio Rev. Code Section 5705.39, appropriations exceeding estimated resources	Not Corrected	No action taken. Therefore, a repeat material noncompliance citation will be issued as finding No.2001-11276-002.
2000-11276-002	Ohio Rev. Code Section 5705.10, negative cash fund balances	Not Corrected	No action taken. Therefore, a repeat material noncompliance citation will be issued as finding No.2001-11276-003.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
DECEMBER 11, 2001**