



**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
MEDINA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
MEDINA COUNTY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

Medina County Joint Vocational School District  
Medina County  
1101 West Liberty Street  
Medina, Ohio 44256-3842

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Medina County Joint Vocational School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Medina County Joint Vocational School District, Medina County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

#### **Federal Awards Receipts and Expenditures Schedule**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio as of and for the year ended June 30, 2005, and have issued our report thereon dated December 16, 2005. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Federal Awards Receipts and Expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

December 16, 2005

**Medina County Joint Vocational School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

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The discussion and analysis of the Medina County Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key Financial Highlights for 2005 are as follows:

- General Revenues in governmental activities accounted for \$14.0 million in revenue or 93% of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1.0 million or 7% of total revenues. The business-type activities had program specific revenues totaling \$1.3 million and general revenues of less than \$.1 million.
- Total program expenses were \$15.3 million. \$13.7 million was in governmental activities and \$1.6 million was in business-type activities.
- In total, net assets increased \$1.1 million. Net assets of governmental activities increased \$1.3 million, which represents a 16% increase from 2004. Net assets of business-type activities decreased \$.2 million or 55% from 2004.

***Using this Annual Report***

This annual report consists of the MD&A, the basic financial statements and the notes to the basic financial statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also highlight the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Medina County Joint Vocational School District, the general fund is by far the most significant fund.

**Medina County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- ❑ **Governmental Activities** - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- ❑ **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District adult and vocational education programs and uniform school supplies are reported as business activities.

The government wide-financial statements begin on page 11.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

**Medina County Joint Vocational School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*Unaudited*

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**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 14.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities (uniform supplies, adult education and vocational); therefore, these statements will essentially match. The School District's major proprietary fund is the adult education fund.

The proprietary fund financial statements begin on page 20.

**Fiduciary Funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used of proprietary funds.

The fiduciary fund financial statements begin on page 23.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25.

**Medina County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current and Other Assets	\$ 11,956,968	\$ 9,828,353	\$ 178,247	\$399,992	\$12,135,215	\$ 10,228,345
Capital Assets	7,202,549	7,169,126	150,664	157,409	7,353,213	7,326,535
Total Assets	19,159,517	16,997,479	328,911	557,401	19,488,428	17,554,880
<b>Liabilities</b>						
Long-Term Liabilities	(1,462,804)	(1,363,608)	(73,954)	(67,144)	(1,536,758)	(1,430,752)
Other Liabilities	(8,237,079)	(7,465,376)	(60,970)	(61,853)	(8,298,049)	(7,527,229)
Total Liabilities	(9,699,883)	(8,828,984)	(134,924)	(128,997)	(9,834,807)	(8,957,981)
<b>Net Assets</b>						
Invested in Capital Assets Net of Debt	7,202,549	7,169,126	150,664	157,409	7,353,213	7,326,535
Restricted	30,740	25,482	0	0	30,740	25,482
Unrestricted (Deficit)	2,226,345	973,887	43,323	270,995	2,269,668	1,244,882
Total Net Assets	\$ 9,459,634	\$ 8,168,495	\$ 193,987	\$428,404	\$ 9,653,621	\$ 8,596,899

Total assets increased by \$1.9 million with governmental assets increasing \$2.2 million and business-type assets decreasing \$.2 million. Total liabilities increased by \$.8 million with governmental activities comprising most of that amount.

The net assets of the School District business-type activities decreased by \$.2 million or 54%. The net assets of the School District governmental activities increased 15%.

**Medina County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
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Table 2 shows the changes in net assets for fiscal year 2005 and 2004 and will help further explain the change from the prior year.

**(Table 2)**  
**Governmental and Business-Type Activities**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 252,245	\$ 154,077	\$1,081,868	\$1,087,408	\$1,334,113	\$1,241,485
Operating Grants	754,252	689,661	267,487	333,724	1,021,739	1,023,385
<i>General Revenue:</i>						
Property Taxes	6,740,603	6,445,931	0	0	6,740,603	6,445,931
Grants and Entitlements	7,083,123	6,687,651	0	0	7,083,123	6,687,651
Other	151,012	198,724	46,655	38,448	197,667	237,172
<b>Total Revenues</b>	<b>14,981,235</b>	<b>14,176,044</b>	<b>1,396,010</b>	<b>1,459,580</b>	<b>16,377,245</b>	<b>15,635,624</b>
<b>Program Expenses</b>						
Instruction	8,433,370	8,004,861	0	0	8,433,370	8,004,861
Support Services	5,173,164	5,449,926	0	0	5,173,164	5,449,926
Operation of Non-Instructional	69,085	56,649	0	0	69,085	56,649
Extracurricular Activities	10,502	18,395	0	0	10,502	18,395
Interest and Fiscal Charges	3,975	11,925	0	0	3,975	11,925
Adult Education	0	0	950,720	915,432	950,720	915,432
Uniform School Supplies	0	0	185,170	178,509	185,170	178,509
Adult Community Education	0	0	494,537	336,502	494,537	336,502
<b>Total Expenses</b>	<b>13,690,096</b>	<b>13,541,756</b>	<b>1,630,427</b>	<b>1,430,443</b>	<b>15,320,523</b>	<b>14,972,199</b>
Increase (Decrease) in Net Assets						
Before Transfers	1,291,139	634,288	(234,417)	29,137	1,056,722	663,425
Net Transfers	0	(83,349)	0	83,349	0	0
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 1,291,139</b>	<b>\$ 550,939</b>	<b>\$ (234,417)</b>	<b>\$ 112,486</b>	<b>\$1,056,722</b>	<b>\$ 663,425</b>

**Medina County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activities had total revenues of \$15.0 million and expenses of \$13.7 million.

**(Table 3)**  
**Governmental Activities**

	2005		2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 8,433,370	\$ 7,664,037	\$ 8,004,861	\$ 7,414,872
Support Services:				
Pupil and Instructional Staff	1,685,962	1,461,565	1,614,484	1,368,735
Board of Education, Administration, Fiscal and Business	2,124,749	2,117,212	2,002,104	1,997,104
Operation and Maintenance of Plant	1,214,670	1,214,670	1,693,725	1,693,725
Pupil Transportation and Central	147,783	144,783	139,613	136,613
Operation of Non-Instructional	69,085	69,085	56,649	56,649
Extracurricular Activities	10,502	8,272	18,395	18,395
Interest and Fiscal Charges	3,975	3,975	11,925	11,925
<b>Total</b>	<b>\$ 13,690,096</b>	<b>\$ 12,683,599</b>	<b>\$ 13,541,756</b>	<b>\$ 12,698,018</b>

Instruction and Student Support Services comprise 89% of governmental program expenses. Operation/maintenance of plant accounts for 8% of governmental program expenses.

**Financial Analysis of the Government's Funds**

***Governmental Funds***

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School District's net resources available for spending at year-end.

The School District's governmental funds (as presented on the balance sheet on pages 14-15) reported a total fund balance of \$3.5 million, which is \$1.5 million over last year's balance of \$2.0 million. The most significant changes within the School District's only major fund was reported in the General fund with an increase in fund balance of \$1.4 million.

**Medina County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**Business-Type Activities**

Business-type activities include our adult education programs, vocational, and the sale of uniform school supplies. These programs had revenues of \$1.4 million and expenses of \$1.6 million for fiscal year 2005.

The School District's major enterprise fund is the adult education fund which had an insignificant decrease net assets of less than \$.01 million in 2005.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

For the general fund actual revenue of \$14.2 million was \$.7 million over the original budget estimate of \$13.5 million, which is a 5 percent variance. The reason for the variance is the treasurer is conservative with the original revenue estimates.

Final appropriations of \$13.6 million were \$.7 million more than the first draft of the original budget of \$12.9 million. This variance is also within 5 percent of total expenditures.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the School District had \$7.4 million invested in land, buildings and improvements, furniture and equipment, vehicles, and infrastructure. A total of \$7.2 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2005 balances compared with 2004.

**(Table 4)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 874,752	\$ 794,096	\$ 0	\$ 0	\$ 874,752	\$ 794,096
Buildings and Improvements	5,867,413	6,036,213	150,664	157,409	6,018,077	6,193,622
Furniture and Equipment	369,112	232,306	0	0	369,112	232,306
Vehicles	75,630	89,222	0	0	75,630	89,222
Infrastructure	15,642	17,289	0	0	15,642	17,289
<b>Totals</b>	<b>\$ 7,202,549</b>	<b>\$ 7,169,126</b>	<b>\$ 150,664</b>	<b>\$ 157,409</b>	<b>\$ 7,353,213</b>	<b>\$ 7,326,535</b>

For additional information, see Note 9.

**Medina County Joint Vocational School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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***Current Issues***

The Medina County Career Center's Board is considering placing a bond issue on the May 2006 ballot. The bond issue is for renovation of our 30 year old building and construction of new instructional areas. This bond issue would update the current building while providing additional space for our growing enrollment.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact John Streett, Treasurer of Medina County Joint Vocational School District, 1101 West Liberty Street, Medina, Ohio, 44256-3842.

**Medina County Joint Vocational School District**

*Statement of Net Assets*

*June 30, 2005*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,503,720	\$ 334,462	\$ 4,838,182
Receivables:			
Taxes	7,089,190	0	7,089,190
Internal Balances	167,000	(167,000)	0
Intergovernmental	98,186	0	98,186
Inventory	98,872	10,785	109,657
Nondepreciable Capital Assets	874,752	0	874,752
Depreciable Capital Assets (Net)	6,327,797	150,664	6,478,461
<i>Total Assets</i>	<u>19,159,517</u>	<u>328,911</u>	<u>19,488,428</u>
<b>Liabilities</b>			
Accounts Payable	230,020	2,334	232,354
Contracts Payable	80,656	0	80,656
Accrued Wages and Benefits	1,114,654	36,460	1,151,114
Vacation Benefits Payable	34,949	1,563	36,512
Intergovernmental Payable	199,757	20,613	220,370
Deferred Revenue	6,447,908	0	6,447,908
Matured Compensated Absences	129,135	0	129,135
Long Term Liabilities:			
Due Within One Year	74,092	0	74,092
Due Within More Than One Year	1,388,712	73,954	1,462,666
<i>Total Liabilities</i>	<u>9,699,883</u>	<u>134,924</u>	<u>9,834,807</u>
<b>Net Assets</b>			
Invested in Capital Assets	7,202,549	150,664	7,353,213
Restricted for Other Purposes	30,740	0	30,740
Unrestricted	2,226,345	43,323	2,269,668
<i>Total Net Assets</i>	<u>\$ 9,459,634</u>	<u>\$ 193,987</u>	<u>\$ 9,653,621</u>

See accompanying notes to the basic financial statements.

**Medina County Joint Vocational School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2005*

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities</b>			
Current:			
Instruction:			
Regular	\$ 2,386,553	\$ 0	\$ 23,649
Special	278,422	0	0
Vocational	5,587,539	247,478	359,922
Adult Continuing	180,856	0	138,284
Support Services:			
Pupils	1,233,625	0	110,136
Instructional Staff	452,337	0	114,261
Board of Education	41,987	0	0
Administration	1,413,355	2,537	5,000
Fiscal	441,692	0	0
Business	227,715	0	0
Operation and Maintenance of Plant	1,214,670	0	0
Pupil Transportation	38,173	0	0
Central	109,610	0	3,000
Operation of Non-Instructional Services	69,085	0	0
Extracurricular Activities	10,502	2,230	0
Interest and Fiscal Charges	3,975	0	0
<i>Total Governmental Activities</i>	<u>13,690,096</u>	<u>252,245</u>	<u>754,252</u>
<b>Business-Type Activities</b>			
Adult Education	950,720	633,806	267,487
Uniform Supplies	185,170	179,140	0
Vocational Education	494,537	268,922	0
<i>Total Business-Type Activities</i>	<u>1,630,427</u>	<u>1,081,868</u>	<u>267,487</u>
<i>Totals</i>	<u>\$ 15,320,523</u>	<u>\$ 1,334,113</u>	<u>\$ 1,021,739</u>

**General Revenues**

Property Taxes Levied for:  
 General Purposes  
 Grants and Entitlements not Restricted  
 to Specific Programs  
 Investment Earnings  
 Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,362,904)	\$ 0	\$ (2,362,904)
(278,422)	0	(278,422)
(4,980,139)	0	(4,980,139)
(42,572)	0	(42,572)
(1,123,489)	0	(1,123,489)
(338,076)	0	(338,076)
(41,987)	0	(41,987)
(1,405,818)	0	(1,405,818)
(441,692)	0	(441,692)
(227,715)	0	(227,715)
(1,214,670)	0	(1,214,670)
(38,173)	0	(38,173)
(106,610)	0	(106,610)
(69,085)	0	(69,085)
(8,272)	0	(8,272)
(3,975)	0	(3,975)
(12,683,599)	0	(12,683,599)
0	(49,427)	(49,427)
0	(6,030)	(6,030)
0	(225,615)	(225,615)
0	(281,072)	(281,072)
\$ (12,683,599)	\$ (281,072)	\$ (12,964,671)
6,740,603	0	6,740,603
7,083,123	0	7,083,123
98,986	0	98,986
52,026	46,655	98,681
13,974,738	46,655	14,021,393
1,291,139	(234,417)	1,056,722
8,168,495	428,404	8,596,899
\$ 9,459,634	\$ 193,987	\$ 9,653,621

**Medina County Joint Vocational School District**

*Balance Sheet  
Governmental Funds  
June 30, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,412,893	\$ 90,827	\$ 4,503,720
Receivables:			
Taxes	7,089,190	0	7,089,190
Interfund	264,997	0	264,997
Intergovernmental	0	98,186	98,186
Inventory	98,872	0	98,872
<i>Total Assets</i>	<u>\$ 11,865,952</u>	<u>\$ 189,013</u>	<u>\$ 12,054,965</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 208,577	\$ 21,443	\$ 230,020
Contracts Payable	80,656	0	80,656
Accrued Wages and Benefits	1,093,748	20,906	1,114,654
Interfund Payable	0	97,997	97,997
Intergovernmental Payable	194,793	4,964	199,757
Deferred Revenue	6,704,146	0	6,704,146
Matured Compensated Absences	129,135	0	129,135
<i>Total Liabilities</i>	8,411,055	145,310	8,556,365
<b>Fund Balances</b>			
Fund Balance:			
Reserved for Encumbrances	740,536	702	741,238
Reserved for Inventory	98,872	0	98,872
Reserved for Tax Revenue Unavailable for Appropriation	385,044	0	385,044
Unreserved, Reported in:			
General Fund	2,230,445	0	2,230,445
Special Revenue Funds	0	43,001	43,001
<i>Total Fund Balances</i>	<u>3,454,897</u>	<u>43,703</u>	<u>3,498,600</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 11,865,952</u>	<u>\$ 189,013</u>	<u>\$ 12,054,965</u>

See accompanying notes to the basic financial statements.

**Medina County Joint Vocational School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2005*

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Total Governmental Fund Balances	\$	3,498,600
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*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		7,202,549
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Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds. Delinquent Property Taxes		256,238
--	--	---------

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore, are not reported in the funds. Compensated Absences	(1,462,804)	
Vacation Benefits Payable	(34,949)	(1,497,753)

Net Assets of Governmental Activities	\$	<u>9,459,634</u>
---------------------------------------	----	------------------

**Medina County Joint Vocational School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 6,749,509	\$ 0	\$ 6,749,509
Intergovernmental	7,083,123	811,167	7,894,290
Investment Income	98,734	252	98,986
Tuition and Fees	247,478	0	247,478
Extracurricular Activities	0	4,767	4,767
Miscellaneous	32,611	19,415	52,026
<i>Total Revenues</i>	14,211,455	835,601	15,047,056
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	2,242,651	23,648	2,266,299
Special	261,792	0	261,792
Vocational	5,092,297	370,382	5,462,679
Adult Continuing	45,909	134,581	180,490
Support Services:			
Pupils	1,098,614	111,092	1,209,706
Instructional Staff	349,189	104,556	453,745
Board of Education	41,987	0	41,987
Administration	1,378,862	10,435	1,389,297
Fiscal	428,071	0	428,071
Business	225,669	0	225,669
Operation and Maintenance of Plant	1,232,065	0	1,232,065
Pupil Transportation	29,502	0	29,502
Central	104,362	3,000	107,362
Operation of Non-Instructional Services	66,625	212	66,837
Extracurricular Activities	0	10,502	10,502
Capital Outlay	219,396	0	219,396
Interest and Fiscal Charges	3,975	0	3,975
<i>Total Expenditures</i>	12,820,966	768,408	13,589,374
<i>Net Change in Fund Balance</i>	1,390,489	67,193	1,457,682
<i>Fund Balance (Deficit) at Beginning of Year, Restated</i>	2,064,408	(23,490)	2,040,918
<i>Fund Balance at End of Year</i>	\$ 3,454,897	\$ 43,703	\$ 3,498,600

See accompanying notes to the basic financial statements.

**Medina County Joint Vocational School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds	\$	1,457,682
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	255,707	
Current Year Depreciation	<u>(221,081)</u>	34,626
 Net effect of transactions involving disposal of capital assets are not reflected in the funds		
		(1,203)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(56,915)	
Delinquent Property Taxes	<u>(8,906)</u>	(65,821)
 Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(130,607)	
Vacation Benefits Payable	<u>(3,538)</u>	<u>(134,145)</u>
 Change in Net Assets of Governmental Activities:	 \$	 <u><u>1,291,139</u></u>

**Medina County Joint Vocational School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 6,984,700	\$ 6,713,748	\$ 6,713,748	\$ 0
Intergovernmental	6,218,791	7,083,123	7,083,123	0
Investment Income	86,686	98,734	98,734	0
Tuition and Fees	143,614	163,575	163,575	0
Miscellaneous	88,933	101,178	116,514	15,336
<i>Total Revenues</i>	<u>13,522,724</u>	<u>14,160,358</u>	<u>14,175,694</u>	<u>15,336</u>
<b>Expenditures</b>				
Current:				
Instruction	7,762,828	7,576,125	7,576,125	0
Support Services:				
Pupils	1,023,991	1,088,505	1,088,505	0
Instructional Staff	326,398	348,817	348,817	0
Board of Education	35,800	40,918	40,918	0
Administration	1,373,944	1,365,535	1,365,535	0
Fiscal	445,895	427,906	427,906	0
Business	212,001	225,134	225,134	0
Operation and Maintenance of Plant	1,243,721	1,373,524	1,373,524	0
Pupil Transportation	50,220	43,858	43,858	0
Central	109,885	108,020	108,020	0
Operation of Non-Instructional Services	50,800	59,168	59,168	0
Capital Outlay	133,096	816,600	816,600	0
Debt Service:				
Principal Retirement	150,000	150,000	150,000	0
Interest and Fiscal Charges	3,975	3,975	3,975	0
<i>Total Expenditures</i>	<u>12,922,554</u>	<u>13,628,085</u>	<u>13,628,085</u>	<u>0</u>
Excess of Revenues Over Expenditures	600,170	532,273	547,609	15,336
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	0	143	143	0
Advances In	75,930	75,930	75,930	0
Advances Out	(100,000)	(263,893)	(263,893)	0
Transfers Out	(280,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(304,070)</u>	<u>(187,820)</u>	<u>(187,820)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	296,100	344,453	359,789	15,336
<i>Fund Balance at Beginning of Year</i>	2,854,130	2,854,130	2,854,130	0
Prior Year Encumbrances Appropriated	207,808	207,808	207,808	0
<i>Fund Balance at End of Year</i>	<u>\$ 3,358,038</u>	<u>\$ 3,406,391</u>	<u>\$ 3,421,727</u>	<u>\$ 15,336</u>

See accompanying notes to the basic financial statements.

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**Medina County Joint Vocational School District**

*Statement of Net Assets*

*Proprietary Funds*

*June 30, 2005*

	Business-Type Activities		
	Adult Education	NonMajor Enterprise Funds	Total
<b>Assets</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 299,840	\$ 34,622	\$ 334,462
Inventory	0	10,785	10,785
<i>Total Current Assets</i>	299,840	45,407	345,247
Non Current Assets:			
Depreciable Capital Assets (Net)	150,664	0	150,664
<i>Total Assets</i>	450,504	45,407	495,911
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	400	1,934	2,334
Accrued Wages and Benefits	36,460	0	36,460
Vacation Benefits Payable	1,563	0	1,563
Interfund Payable	0	167,000	167,000
Intergovernmental Payable	20,613	0	20,613
<i>Total Current Liabilities</i>	59,036	168,934	227,970
Long Term Liabilities:			
Compensated Absences	73,954	0	73,954
<i>Total Liabilities</i>	132,990	168,934	301,924
<b>Net Assets</b>			
Invested in Capital Assets	150,664	0	150,664
Unrestricted	166,850	(123,527)	43,323
<i>Total Net Assets</i>	\$ 317,514	\$ (123,527)	\$ 193,987

See accompanying notes to the basic financial statements.

**Medina County Joint Vocational School District**  
*Statement of Revenues, Expenses and Changes in Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2005*

	Business-Type Activities		
	Adult Education	NonMajor Enterprise Funds	Total
<b>Operating Revenues</b>			
Tuition	\$ 633,806	\$ 0	\$ 633,806
Sales	0	249,530	249,530
Home Sale	0	198,532	198,532
Other Operating Revenues	40,845	5,810	46,655
<i>Total Operating Revenues</i>	<u>674,651</u>	<u>453,872</u>	<u>1,128,523</u>
<b>Operating Expenses</b>			
Salaries	591,504	0	591,504
Fringe Benefits	205,732	0	205,732
Purchased Services	68,928	71,483	140,411
Materials and Supplies	70,568	599,193	669,761
Depreciation	6,745	0	6,745
Other Operating Expenses	7,243	9,031	16,274
<i>Total Operating Expenses</i>	<u>950,720</u>	<u>679,707</u>	<u>1,630,427</u>
Operating Loss	<u>(276,069)</u>	<u>(225,835)</u>	<u>(501,904)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Grants	267,487	0	267,487
<i>Total Non-Operating Revenues (Expenses)</i>	<u>267,487</u>	<u>0</u>	<u>267,487</u>
<i>Change in Net Assets</i>	(8,582)	(225,835)	(234,417)
<i>Net Assets Beginning of Year</i>	<u>326,096</u>	<u>102,308</u>	<u>428,404</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$ 317,514</u>	<u>\$ (123,527)</u>	<u>\$ 193,987</u>

See accompanying notes to the basic financial statements.

**Medina County Joint Vocational School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2005

	Business-Type Activities		
	Adult Education	NonMajor Enterprise Funds	Total
<b>Cash Flows From Operating Activities</b>			
Cash Received from Customers	\$ 675,851	\$ 453,872	\$ 1,129,723
Cash Paid for Goods and Services	(148,489)	(670,757)	(819,246)
Cash Paid to Employees	(786,140)	0	(786,140)
<i>Net Cash Used For Operating Activities</i>	<u>(258,778)</u>	<u>(216,885)</u>	<u>(475,663)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Loans from Other Funds	0	165,000	165,000
Operating Grants Received	267,487	0	267,487
<i>Net Cash Provided By Non-Capital Financing Activities</i>	<u>267,487</u>	<u>165,000</u>	<u>432,487</u>
<i>Net Increase in Cash and Cash Equivalents</i>	8,709	(51,885)	(43,176)
<i>Cash and Cash Equivalents at Beginning of Year</i>	291,131	86,507	377,638
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 299,840</u>	<u>\$ 34,622</u>	<u>\$ 334,462</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>			
Operating Loss	\$ (276,069)	\$ (225,835)	\$ (501,904)
Adjustments:			
Depreciation	6,745	0	6,745
(Increase) Decrease in Assets			
Accounts Receivable	1,200	0	1,200
Inventory	0	12,369	12,369
Increase (Decrease) in Liabilities			
Accounts Payable	(1,750)	(3,419)	(5,169)
Accrued Wages and Benefits	2,205	0	2,205
Compensated Absences and Vacation Benefits Payable	8,373	0	8,373
Intergovernmental Payable	518	0	518
<i>Total Adjustments</i>	<u>17,291</u>	<u>8,950</u>	<u>26,241</u>
<i>Net Cash Used For Operating Activities</i>	<u>\$ (258,778)</u>	<u>\$ (216,885)</u>	<u>\$ (475,663)</u>

See accompanying notes to the basic financial statements.

**Medina County Joint Vocational School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2005*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>82,908</u>
<b>Liabilities</b>	
Accounts Payable	\$ 1,200
Undistributed Monies	<u>81,708</u>
<i>Total Liabilities</i>	<u>\$ 82,908</u>

See accompanying notes to the basic financial statements.

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## **Medina County Joint Vocational School District**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005*

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#### **Note 1 - Description of The School District**

The Medina County Joint Vocational School District also known as the Medina County Career Center is a vocational high school.

Joint Vocational School Districts were created by the legislature as one means by which a school district can meet its obligation under law to make a vocational education program available to all of its students. The Career Center has six member districts. They are: Black River Local, Buckeye Local, Cloverleaf Local, Highland Local, Brunswick City Schools and Medina City Schools. Wadsworth City Schools, the other County school, elected to remain with a consortium to provide vocational education to its students.

The Medina County Career Center's Board of Education consists of nine board members. Each local school district is represented by one board member elected from the membership of their local board. Brunswick City is represented by three board members and Medina City is represented by two board members. Each year the member districts elect or assign a board member to represent their board on the vocational school's board of education.

#### ***Reporting Entity***

The Medina County Joint Vocational School District (the School District) is a school district corporation governed by an elected Board of Education. The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Based on the foregoing criteria, the School District has no component units.

The School District participates in two jointly governed organizations and one public entity risk pool. These organizations are the Lake Erie Educational Computer Association, the Ohio Schools Council, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 10 and 15 to the basic financial statements.

#### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, to its governmental and business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. The School District

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## Medina County Joint Vocational School District

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005*

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has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. For the year ended June 30, 2005, the School District has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures." There was no effect on fund balance as a result of this implementation. The most significant of the School District's accounting policies are described below.

#### **A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

#### **B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

## Medina County Joint Vocational School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. The following are the School District's proprietary fund types:

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

**Adult Education** This fund accounts for transactions made in connection with adult education.

#### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

#### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2005, investments were limited to repurchase agreements and STAROhio, (the State Treasurer's Investment Pool).

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$98,734 which includes \$1,753 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

***F. Inventory***

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the enterprise fund are expensed when used.

***G. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

***H. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$12,000. Improvements are capitalized; 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.

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Buildings and Improvements	30 - 60 Years	30 - 60 Years
Furniture and Fixtures	5 - 20 Years	20 Years
Vehicles	8 - 15 Years	N/A
Infrastructure	20 Years	N/A

The School District's infrastructure consists of signs and street lights.

***I. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***J. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

***K. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

***L. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes are for instruction of students.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***M. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, and, property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***N. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for adult and vocational education classes, and sales of uniform school supplies. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

***O. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

## Medina County Joint Vocational School District

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005*

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#### ***P. Estimates***

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

#### ***Q. Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level for all funds. Budgetary modifications may only be made by resolution of the Board of Education.

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

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

***Appropriations*** A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically

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**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**Encumbrances** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

**Note 3 - Restatement of Fund Balances**

Based on guidance issued in GASB Technical Bulletin No. 2004-2 "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers", it was determined that unpaid pension expenditures due at year-end should be recorded as a fund liability on the balance sheet. As a result, fund balances have been restated as follows:

	General Fund	Other Governmental	Total
Fund Balance June 30, 2004	\$ 2,093,534	\$ (23,490)	\$ 2,070,044
Addition of Intergovernmental Payables	(29,126)	0	(29,126)
Restated Fund Balance July 1, 2004	<u>\$ 2,064,408</u>	<u>\$ (23,490)</u>	<u>\$ 2,040,918</u>

**Note 4 – Fund Deficit**

Fund balances/net assets at June 30, 2005 included the following individual fund deficit:

	Deficit Fund Balance
Other Governmental Funds:	
Public Preschool	\$ 2,747
Nonmajor Enterprise Fund:	
Vocational Rotary	139,765

The deficits in the special revenue funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

**Net Change in Fund Balance**

GAAP Basis	\$ 1,390,489
Net Adjustment for Revenue Accruals	(35,761)
Advance In	75,930
Advance Out	(263,893)
Net Adjustment for Expenditure Accruals	184,193
Adjustment for Encumbrances	<u>(991,169)</u>
Budget Basis	<u>\$ 359,789</u>

**Note 6 - Deposits and Investments**

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the 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.

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**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

Protection of School 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 to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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 School District, and must be purchased with the expectation that it will be held

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**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Cash on Hand:** At year end, the School District had \$100 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

**Deposits:** The carrying value of the School District's deposits totaled \$(89,933) and the bank balances of the deposits totaled \$47,138. The entire bank balance of \$47,138 was covered by federal depository insurance.

**Investments**

Investments are reported at fair value. As of June 30, 2005, the district had the following investments:

	Fair Value	Investment Maturities (in months) 0 - 6
Repurchase Agreement	\$ 490,000	\$ 490,000
STAROhio	4,520,923	4,520,923
Totals	<u>\$ 5,010,923</u>	<u>\$ 5,010,923</u>

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

**Credit Risk:** The School District's investments at June 30, 2005 in Star Ohio is rated AAAM by Standard & Poor's.

**Concentration of Credit Risk:** The School District places no limit on the amount the School District may invest in any one issuer. More than 5 percent of the School District's investments are in StarOhio which is 90% of the School District's total investments for the amounts listed above.

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Medina, Lorain, and Summit Counties. The County Auditors and Fiscal Officers periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$385,044 and is recognized as revenue in the general fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections Valuation	%	2005 First Half Collections Amount	%
Real Property				
Residential/Agricultural	\$ 2,548,820,070	76.03%	\$ 2,827,101,620	76.91%
Commerical/Industrial	470,759,280	14.04%	516,638,790	14.05%
Tangible Personal Property				
General	93,568,660	2.79%	240,652,074	6.55%
Public Utilities	<u>239,508,743</u>	<u>7.14%</u>	<u>91,778,090</u>	<u>2.50%</u>
Total Assessed Valuation	<u>\$ 3,352,656,753</u>	<u>100.00%</u>	<u>\$ 3,676,170,574</u>	<u>100.00%</u>

Tax rate per \$1,000 of  
assessed valuation

\$3.05

\$3.05

**Note 8 - Receivables**

Receivables at June 30, 2005, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Intergovernmental receivables consisted of \$98,186 in various special revenue funds for operating grants.

**Medina County Joint Vocational School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 6/30/04	Additions	Reductions	Balance 6/30/05
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 794,096	\$ 0	\$ 0	\$ 794,096
Construction in Progress	0	80,656	0	80,656
<b>Total Capital Assets, not being depreciated</b>	<b>794,096</b>	<b>80,656</b>	<b>0</b>	<b>874,752</b>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	9,980,150	0	0	9,980,150
Furniture and Equipment	982,947	175,051	(12,021)	1,145,977
Vehicles	243,673	0	(13,685)	229,988
Infrastructure	32,931	0	0	32,931
<b>Total Capital Assets, being depreciated</b>	<b>11,239,701</b>	<b>175,051</b>	<b>(25,706)</b>	<b>11,389,046</b>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(3,943,937)	(168,800)	0	(4,112,737)
Furniture and Equipment	(750,641)	(37,042)	10,818	(776,865)
Vehicles	(154,451)	(13,592)	13,685	(154,358)
Infrastructure	(15,642)	(1,647)	0	(17,289)
<b>Total Accumulated Depreciation</b>	<b>(4,864,671)</b>	<b>(221,081)</b>	<b>24,503</b>	<b>(5,061,249)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>6,375,030</b>	<b>(46,030)</b>	<b>(1,203)</b>	<b>6,327,797</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 7,169,126</b>	<b>\$ 34,626</b>	<b>\$ (1,203)</b>	<b>\$ 7,202,549</b>
<b>Business-Type Activities</b>				
<i>Capital Assets being depreciated</i>				
Buildings	\$ 347,289	\$ 0	\$ 0	\$ 347,289
<b>Total Capital Assets, being depreciated</b>	<b>347,289</b>	<b>0</b>	<b>0</b>	<b>347,289</b>
<i>Less Accumulated Depreciation:</i>				
Buildings	(189,880)	(6,745)	0	(196,625)
<b>Total Accumulated Depreciation</b>	<b>(189,880)</b>	<b>(6,745)</b>	<b>0</b>	<b>(196,625)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>157,409</b>	<b>(6,745)</b>	<b>0</b>	<b>150,664</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 157,409</b>	<b>\$ (6,745)</b>	<b>\$ 0</b>	<b>\$ 150,664</b>

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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Depreciation expense was charged to governmental functions as follows:

**Governmental Activities:**

Instruction:	
Regular	\$ 85,263
Special	10,021
Vocational	69,886
Support Services:	
Pupil	2,249
Instructional Staff	11,242
Administration	8,994
Fiscal	9,979
Operation and Maintenance of Plant	10,280
Pupil Transportation	8,671
Central	2,248
Operation of Non-Instructional Services	2,248
	<hr/>
Total Depreciation	\$ 221,081
	<hr/>

**Business-Type Activities:**

Adult Education	\$ 6,745
	<hr/>
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**Note 10 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District through the Ohio Schools Council has a comprehensive property and casualty policy with Indiana Insurance and boiler coverage through Travelers Insurance. The deductible is \$1,000 per incident. Fleet coverage is provided by the Ohio School Plan and Hartford Reinsurance with a \$3,000,000 limit and a \$500 deductible. The School District has a liability policy through the Ohio School Plan and The Hartford Insurance Company with a \$3,000,000 limit. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no reduction in coverage.

The Superintendent, Treasurer, Board President, and Board Vice President have surety bonds for \$20,000 each. These bonds are with the Travelers Casualty and Surety Company. Remaining employees are covered under a policy with the Ohio Casualty company to protect against theft.

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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***B. Workers' Compensation***

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

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

***C. Employee Medical Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to its employees. The School District has contracted with Medical Mutual of Ohio to provide medical/surgical, dental, vision, and prescription drug benefits for its employees and their covered dependents. Monthly premium costs are shared by the School District and covered employees.

**Note 11 – Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Teachers do not earn vacation time. Administrators employed to work 260 days per year can earn twenty days of vacation annually. Accumulated unpaid vacation is limited to the amount earned during one year. Employees are paid one hundred percent of their accumulated unpaid vacation when they terminate their employment for any reason.

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 320 days. Employees with five or more years of service are paid at various rates upon termination of employment.

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**Note 12- Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$431,539, \$355,405 and \$317,993 respectively; 92% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

## Medina County Joint Vocational School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$829,669, \$817,907 and \$802,607, respectively; 83% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$7,001 made by the School District and \$44,707 made by the plan members.

#### **Note 13 - Postemployment Benefits**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$64,309 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$172,341 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Note 14 - Long - Term Obligations**

The changes in the School District's long-term obligations during the year consist of the following:

	Restated Outstanding 6/30/04	Additions	Reductions	Outstanding 6/30/05	Amounts Due in One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 1,331,869	\$ 195,606	\$ 64,671	\$ 1,462,804	\$ 74,092
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 1,331,869</u>	<u>\$ 195,606</u>	<u>\$ 64,671</u>	<u>\$ 1,462,804</u>	<u>\$ 74,092</u>
<b>Business-Type Activities</b>					
Compensated Absences	<u>\$ 67,144</u>	<u>\$ 6,810</u>	<u>\$ 0</u>	<u>\$ 73,954</u>	<u>\$ 0</u>

**Note 15 - Jointly Governed Organizations**

**A. Lake Erie Educational Computer Association (LEECA)**

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology to administrative and instructional functions among member districts. Each of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from LEECA's fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from LEECA's fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which the participating school districts are located. During the year ended June 30, 2005, the School District paid approximately \$12,797 to LEECA for basic services. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, LEECA's fiscal agent, at 1885 Lake Avenue, Elyria, Ohio.

## **Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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### ***B. Ohio Schools Council***

The Ohio Schools' Council (OSC) is a jointly governed organization comprised of seventy-two school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, food service, and insurance. Each member provides operating resources to OSC via a monthly administrative fee and an actual usage charge, except for insurance.

The OSC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. OSC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools' Council at 8001 Brecksville Road, Brecksville, Ohio.

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**Note 16 – Segment Information for NonMajor Enterprise Funds**

The School District's nonmajor enterprise funds are used to account for the operation of uniform school supplies and vocational education. Segment information related to these funds is as follows:

	Uniform Supplies	Vocational Education	Total
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
Assets:			
Current Assets	\$ 18,238	\$ 27,169	\$ 45,407
Total Assets	<u>18,238</u>	<u>27,169</u>	<u>45,407</u>
Liabilities:			
Current Liabilities	2,000	166,934	168,934
Total Liabilities	<u>2,000</u>	<u>166,934</u>	<u>168,934</u>
Net Assets:			
Unrestricted	16,238	(139,765)	(123,527)
Total Net Assets	<u>\$ 16,238</u>	<u>\$ (139,765)</u>	<u>\$ (123,527)</u>

**CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

Sales	\$ 179,140	\$ 70,390	\$ 249,530
Home Sale	0	198,532	198,532
Other Revenues	0	5,810	5,810
Operating Expenses	(185,170)	(494,537)	(679,707)
Operating Income	<u>(6,030)</u>	<u>(219,805)</u>	<u>(225,835)</u>
Change in Net Assets	(6,030)	(219,805)	(225,835)
Beginning Net Assets	22,268	80,040	102,308
Ending Net Assets	<u>\$ 16,238</u>	<u>\$ (139,765)</u>	<u>\$ (123,527)</u>

**CONDENSED STATEMENT OF CASH FLOWS**

Net Cash Provided (Used) By:			
Operating Activities	\$ 5,930	\$ (222,815)	\$ (216,885)
Noncapital Financing Activities	<u>0</u>	<u>165,000</u>	<u>165,000</u>
Net Increase (Decrease)	5,930	(57,815)	(51,885)
Beginning Cash and Cash Equivalents	<u>1,523</u>	<u>84,984</u>	<u>86,507</u>
Ending Cash and Cash Equivalents	<u>\$ 7,453</u>	<u>\$ 27,169</u>	<u>\$ 34,622</u>

**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**Note 17 – Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**Note 18 - Interfund Balances**

Interfund balances at June 30, 2005 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 264,997	\$ 0
Nonmajor Governmental Funds	0	97,997
Nonmajor Enterprise Funds	0	167,000
	<u>\$ 264,997</u>	<u>\$ 264,997</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund payables outstanding are anticipated to be repaid in fiscal year 2006.

**Note 19 – Tax Anticipation Notes**

Debt outstanding at June 30, 2005 was as follows:

Tax Anticipation Notes, Series 1999 balance at June 30, 2005:

	<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/05</u>
Tax Anticipation Note 5.3% Interest Rate	<u>\$ 150,000</u>	<u>\$ 0</u>	<u>\$ (150,000)</u>	<u>\$ 0</u>

The tax anticipation notes were issued by the School District on November 23, 1999. Principal installment payments began on December 1, 2000, and were paid in full on December 1, 2004.

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**Medina County Joint Vocational School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**Note 20 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The statute includes specific purposes for which the monies representing BWC refunds can be used. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, or returned to the General fund and used at the discretion of the District’s Board of Education.

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

	Capital Improvement Reserve	Textbooks Instructional Materials Reserve
Set-Aside Carryover Balance as of June 30, 2004	\$ 0	\$ (822,779)
Current Year Set-Aside Requirement	152,640	152,640
Qualifying Disbursements	(318,605)	(796,077)
Total	<u>\$ (165,965)</u>	<u>\$ (1,466,216)</u>
Balance Carried Forward to June 30, 2006	<u>\$ 0</u>	<u>\$ (1,466,216)</u>
Amount to Restrict for Set-Asides	<u>\$ 0</u>	<u>\$ 0</u>
Total Restricted Assets	<u>\$ 0</u>	<u>\$ 0</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Negatives are therefore not presented as being carried forward to the next fiscal year for the capital improvements reserve.

**Note 21 – State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “the Ohio General Assembly to enact a school funding scheme that is thorough and efficient”.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Direct</i>				
Health Care and Other Facilities	93.887	N/A	<u>\$127,940</u>	<u>\$127,940</u>
Total U.S. Department of Health and Human Services			127,940	127,940
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Direct</i>				
Federal Pell Grant Program	84.063	N/A	56,473	56,473
<i>Passed through the Ohio Department of Education</i>				
Vocational Education - Basic Grants to States	84.048	062109-20AO-2004 062109-20C1-2004 062109-20C2-2004 062109-20C1-2005 062109-20C2-2005	14,000 17,357 11,215 215,582 54,407	33,539 413 226,530 68,211
Total Vocational Education - Basic Grants to States			312,561	328,693
Adult Education - State Grant Program	84.002	062109-ABS1-2004 062109-ABS1-2005	8,907 59,757	72,202
Total Adult Education - State Grant Program			68,664	72,202
Innovative Education Program Strategies	84.298	062109-C2S1-2005	3,414	5,116
Safe and Drug Free Schools and Communities State Grants	84.186	062109-DRS1-2005	2,543	2,843
Improving Teacher Quality State Grants	84.367	062109-TRS1-2005	1,749	5,535
Total Passed through the Ohio Department of Education			<u>388,931</u>	<u>414,389</u>
Total U.S. Department of Education			<u>445,404</u>	<u>470,862</u>
<b>Total</b>			<b><u>\$573,344</u></b>	<b><u>\$598,802</u></b>

The accompanying notes to this schedule are an integral part of this schedule.

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Medina County Joint Vocational School District  
Medina County  
1101 West Liberty Street  
Medina, Ohio 44256

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 16, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated December 16, 2005, we reported another matter related to noncompliance we deemed immaterial.

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Medina County Joint Vocational School District  
Medina County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 16, 2005



## Auditor of State Betty Montgomery

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

Medina County Joint Vocational School District  
Medina County  
1101 West Liberty Street  
Medina, Ohio 44256

To the Board of Trustees:

#### Compliance

We have audited the compliance of Medina County Joint Vocational School District, Medina County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.



**Betty Montgomery**  
Auditor of State

December 16, 2005

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Health Care and Other Facilities – CFDA 93.887 Vocational Education Basic Grants to States – CFDA 84.048
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT  
MEDINA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

**FINDING NUMBER 2005-001**

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2005 23% of the expenditures tested were not certified by the Treasurer prior to incurring the obligation. It was also found that none of the exceptions above were utilized for the items found to be in noncompliance. The District should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



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**MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT**

**MEDINA 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  
FEBRUARY 21, 2006**