



**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its Proprietary Fund Type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

November 15, 2002

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STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Enterprise
ASSETS AND OTHER DEBITS			
ASSETS:			
Equity in pooled cash and cash equivalents.	\$ 6,664,930	\$ 81,481	\$ 37,860
Receivables (net of allowances of uncollectibles):			
Property taxes - current & delinquent.	2,000,559	-	-
Accounts.	37,000	-	-
Interfund loan receivable	220,391	-	-
Due from other governments	803,168	217,117	-
Materials and supplies inventory	-	-	7,558
Prepayments	4,713	-	-
Restricted assets:			
Equity in pooled cash and cash equivalents	43,685	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	3,334
OTHER DEBITS:			
Amount to be provided for retirement of general long-term obligations	-	-	-
Total assets and other debits	\$ 9,774,446	\$ 298,598	\$ 48,752
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES:			
Accounts payable	\$ 58,055	\$ 7,203	\$ -
Accrued wages and benefits.	486,885	-	9,194
Compensated absences payable.	7,946	-	6,527
Pension obligation payable	62,530	-	6,191
Retirement incentive payable	-	-	-
Interfund loan payable	-	220,391	-
Deferred revenue	1,979,018	46,643	4,541
Due to other governments.	14,813	723	429
Due to students	-	-	-
Total liabilities.	2,609,247	274,960	26,882
EQUITY AND OTHER CREDITS:			
Investment in general fixed assets	-	-	-
Retained earnings: unreserved.	-	-	21,870
Fund balances:			
Reserved for encumbrances	467,656	35,081	-
Reserved for prepayments	4,713	-	-
Reserved for tax revenue unavailable for appropriation.	21,541	-	-
Reserved for BWC refunds.	43,685	-	-
Unreserved-undesignated (deficit)	6,627,604	(11,443)	-
Total equity and other credits	7,165,199	23,638	21,870
Total liabilities, equity and other credits.	\$ 9,774,446	\$ 298,598	\$ 48,752

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

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$ 21,478	\$ -	\$ -	\$ 6,805,749
-	-	-	2,000,559
-	-	-	37,000
-	-	-	220,391
-	-	-	1,020,285
-	-	-	7,558
-	-	-	4,713
-	-	-	43,685
-	9,231,017	-	9,234,351
-	-	716,954	716,954
<u>\$ 21,478</u>	<u>\$ 9,231,017</u>	<u>\$ 716,954</u>	<u>\$ 20,091,245</u>
\$ -	\$ -	\$ -	\$ 65,258
-	-	-	496,079
-	-	700,541	715,014
-	-	1,413	70,134
-	-	15,000	15,000
-	-	-	220,391
-	-	-	2,030,202
-	-	-	15,965
<u>21,478</u>	<u>-</u>	<u>-</u>	<u>21,478</u>
<u>21,478</u>	<u>-</u>	<u>716,954</u>	<u>3,649,521</u>
-	9,231,017	-	9,231,017
-	-	-	21,870
-	-	-	502,737
-	-	-	4,713
-	-	-	21,541
-	-	-	43,685
-	-	-	6,616,161
-	9,231,017	-	16,441,724
<u>\$ 21,478</u>	<u>\$ 9,231,017</u>	<u>\$ 716,954</u>	<u>\$ 20,091,245</u>

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STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
From local sources:				
Taxes	\$ 2,620,944	\$ -	\$ -	\$ 2,620,944
Tuition	732,711	-	-	732,711
Earnings on investments	177,795	-	-	177,795
Rentals	59,885	-	-	59,885
Customer services	114,664	-	-	114,664
Other local revenues	41,031	10,736	-	51,767
Other revenue	-	2,000	-	2,000
Intergovernmental - State	4,250,395	66,811	20,353	4,337,559
Intergovernmental - Federal	-	251,912	-	251,912
Total revenues	<u>7,997,425</u>	<u>331,459</u>	<u>20,353</u>	<u>8,349,237</u>
Expenditures:				
Current:				
Instruction:				
Regular	368,382	84	-	368,466
Special	99,142	-	-	99,142
Vocational	3,703,410	157,522	22,853	3,883,785
Support services:				
Pupil	264,307	102,535	-	366,842
Instructional staff	288,254	6,190	-	294,444
Board of Education	25,070	-	-	25,070
Administration	218,549	12,033	-	230,582
Fiscal	191,196	-	-	191,196
Business	18,134	-	-	18,134
Operations and maintenance	688,144	3,766	-	691,910
Central	3,525	18,251	-	21,776
Extracurricular activities	20,088	2,001	-	22,089
Total expenditures	<u>5,888,201</u>	<u>302,382</u>	<u>22,853</u>	<u>6,213,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,109,224</u>	<u>29,077</u>	<u>(2,500)</u>	<u>2,135,801</u>
Other financing sources:				
Proceeds from sale of fixed assets	<u>1,980</u>	<u>-</u>	<u>-</u>	<u>1,980</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>2,111,204</u>	<u>29,077</u>	<u>(2,500)</u>	<u>2,137,781</u>
Fund balances (deficit), July 1	5,076,067	(5,439)	2,500	5,073,128
Decrease in reserve for inventory	<u>(22,072)</u>	<u>-</u>	<u>-</u>	<u>(22,072)</u>
Fund balances, June 30	<u>\$ 7,165,199</u>	<u>\$ 23,638</u>	<u>\$ -</u>	<u>\$ 7,188,837</u>

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

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 2,474,481	\$ 2,623,493	\$ 149,012	\$ -	\$ -	\$ -
Tuition	717,294	-	(717,294)	-	-	-
Earnings on investments	233,530	177,871	(55,659)	-	-	-
Rentals	97,982	22,885	(75,097)	-	-	-
Customer services	139,568	114,664	(24,904)	-	-	-
Other local revenue	110,178	43,906	(66,272)	10,540	10,736	196
Other revenue	-	-	-	2,000	2,000	-
Intergovernmental - State	3,978,486	4,250,395	271,909	88,035	56,611	(31,424)
Intergovernmental - Federal	-	-	-	305,870	108,445	(197,425)
Total revenues	<u>7,751,519</u>	<u>7,233,214</u>	<u>(518,305)</u>	<u>406,445</u>	<u>177,792</u>	<u>(228,653)</u>
Expenditures:						
Current:						
Instruction:						
Regular	560,968	376,885	184,083	405	84	321
Special	91,469	101,078	(9,609)	-	-	-
Vocational	4,030,384	4,055,310	(24,926)	155,491	185,740	(30,249)
Support services:						
Pupil	226,915	261,809	(34,894)	170,842	102,483	68,359
Instructional staff	176,762	278,011	(101,249)	26,887	6,541	20,346
Board of Education	18,298	25,100	(6,802)	-	-	-
Administration	281,369	251,025	30,344	20,100	12,013	8,087
Fiscal	188,596	191,081	(2,485)	-	-	-
Business	20,895	18,134	2,761	-	-	-
Operations and maintenance	916,644	794,632	122,012	3,766	3,766	-
Central	3,749	4,675	(926)	46,870	22,474	24,396
Extracurricular activities	12,140	20,076	(7,936)	12,932	8,593	4,339
Total expenditures	<u>6,528,189</u>	<u>6,377,816</u>	<u>150,373</u>	<u>437,293</u>	<u>341,694</u>	<u>95,599</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,223,330</u>	<u>855,398</u>	<u>(367,932)</u>	<u>(30,848)</u>	<u>(163,902)</u>	<u>(133,054)</u>
Other financing sources (uses):						
Advances in	606	45,545	44,939	47,699	218,456	170,757
Advances out	(132,575)	(218,520)	(85,945)	(9,629)	(45,481)	(35,852)
Proceeds from sale of fixed assets	861	1,980	1,119	-	-	-
Refund of prior year's expenditures	-	180	180	-	-	-
Operating transfers in	-	-	-	16,107	-	(16,107)
Operating transfers out	(14,206)	-	14,206	-	-	-
Total other financing sources (uses)	<u>(145,314)</u>	<u>(170,815)</u>	<u>(25,501)</u>	<u>54,177</u>	<u>172,975</u>	<u>118,798</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	1,078,016	684,583	(393,433)	23,329	9,073	(14,256)
Fund balances, July 1	5,131,461	5,131,461	-	20,037	20,037	-
Prior year encumbrances appropriated	375,628	375,628	-	10,087	10,087	-
Fund balances, June 30	<u>\$ 6,585,105</u>	<u>\$ 6,191,672</u>	<u>\$ (393,433)</u>	<u>\$ 53,453</u>	<u>\$ 39,197</u>	<u>\$ (14,256)</u>

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

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,474,481	\$ 2,623,493	\$ 149,012
-	-	-	717,294	-	(717,294)
-	-	-	233,530	177,871	(55,659)
-	-	-	97,982	22,885	(75,097)
-	-	-	139,568	114,664	(24,904)
-	-	-	120,718	54,642	(66,076)
-	-	-	2,000	2,000	-
58,621	20,353	(38,268)	4,125,142	4,327,359	202,217
-	-	-	305,870	108,445	(197,425)
<u>58,621</u>	<u>20,353</u>	<u>(38,268)</u>	<u>8,216,585</u>	<u>7,431,359</u>	<u>(785,226)</u>
-	-	-	561,373	376,969	184,404
-	-	-	91,469	101,078	(9,609)
58,496	22,853	35,643	4,244,371	4,263,903	(19,532)
-	-	-	397,757	364,292	33,465
-	-	-	203,649	284,552	(80,903)
-	-	-	18,298	25,100	(6,802)
-	-	-	301,469	263,038	38,431
-	-	-	188,596	191,081	(2,485)
-	-	-	20,895	18,134	2,761
-	-	-	920,410	798,398	122,012
-	-	-	50,619	27,149	23,470
-	-	-	25,072	28,669	(3,597)
<u>58,496</u>	<u>22,853</u>	<u>35,643</u>	<u>7,023,978</u>	<u>6,742,363</u>	<u>281,615</u>
<u>125</u>	<u>(2,500)</u>	<u>(2,625)</u>	<u>1,192,607</u>	<u>688,996</u>	<u>(503,611)</u>
-	-	-	48,305	264,001	215,696
-	-	-	(142,204)	(264,001)	(121,797)
-	-	-	861	1,980	1,119
-	-	-	-	180	180
-	-	-	16,107	-	(16,107)
-	-	-	(14,206)	-	14,206
-	-	-	(91,137)	2,160	93,297
125	(2,500)	(2,625)	1,101,470	691,156	(410,314)
2,500	2,500	-	5,153,998	5,153,998	-
-	-	-	385,715	385,715	-
<u>\$ 2,625</u>	<u>\$ -</u>	<u>\$ (2,625)</u>	<u>\$ 6,641,183</u>	<u>\$ 6,230,869</u>	<u>\$ (410,314)</u>

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Enterprise
Operating revenues:	
Tuition and fees	\$ 33,278
Sales/charges for services	126,544
Total operating revenues	159,822
Operating expenses:	
Personal services	122,368
Contract services	10,886
Materials and supplies	106,677
Depreciation	466
Total operating expenses	240,397
Operating loss.	(80,575)
Nonoperating revenues:	
Operating grants	36,682
Miscellaneous	1,699
Interest revenue.	687
Federal commodities	11,847
Total nonoperating revenues.	50,915
Net loss.	(29,660)
Retained earnings, July 1	51,530
Retained earnings, June 30	\$ 21,870

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

STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 33,278
Cash received from sales/service charges	126,544
Cash payments for personal services	(118,650)
Cash payments for contract services	(10,886)
Cash payments for materials and supplies	(96,196)
Net cash used in operating activities	(65,910)
Cash flows from noncapital financing activities:	
Cash received from operating grants	38,570
Cash received from nonoperating activities	1,699
Net cash provided by noncapital financing activities	40,269
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,845)
Net cash used in capital and related financing activities	(1,845)
Cash flows from investing activities:	
Interest received	687
Net cash provided by investing activities	687
Net decrease in cash and cash equivalents	(26,799)
Cash and cash equivalents at beginning of year	64,659
Cash and cash equivalents at end of year	\$ 37,860
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (80,575)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	466
Federal donated commodities	11,847
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(2,301)
Decrease in accounts payable	(157)
Increase in accrued wages and benefits	2,071
Increase in compensated absences payable	1,075
Increase in pension obligation payable	488
Increase in due to other governments	85
Increase in deferred revenue	1,091
Net cash used in operating activities	\$ (65,910)

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Stark County Area Vocational Board of Education was formed on June 30, 1970. Stark County Area Vocational School District (the "District") is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the right and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school. The District includes six member schools: Brown Local, Fairless Local, Louisville City, Minerva Local, Northwest Local, and Tuslaw Local. During fiscal 2001, the District entered into an agreement to provide vocational education programs for students of the Perry Local School District. This vocational educational cooperative agreement is effective for 5 years and may be renewed for an additional 5 years if each party agrees.

The District operates under a seven-member Board of Education consisting of 1 member from each member school's board of education, and 1 additional rotating member allowing each member school to have 2 members every 7 years. The District provides educational services as authorized and mandated by state or federal agencies. The District employs 25 noncertified and 50 certified employees to provide services to approximately 436 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations and vocational related activities.

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

JOINTLY GOVERNED ORGANIZATION

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

PUBLIC ENTITY RISK POOLS

The Stark County Schools Council of Government (the "Council") is governed by an assembly, which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program, which is a shared risk pool comprised of 15 Stark County school districts.

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure identifying items, which would be subject to accrual for other fund types. At June 30, 2002, there were no material accruals for the agency fund, which would be subject to accrual in other fund types.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

D. Budgets

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures for all funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

5. Any revisions that alter the total fund expenditures must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. All supplemental appropriations were legally enacted by the Board during fiscal 2002.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control.

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

E. Cash and Investments

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

During fiscal year 2002, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$177,795, which includes \$2,957 assigned from other District funds.

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

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

F. Inventory

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased. Proprietary fund inventory includes donated food, purchased food and supplies.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

G. Fixed Assets and Depreciation

1. *General Fixed Assets Account Group*

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

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

2. *Proprietary Fund*

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

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Career Development

Educational Management Information System

SchoolNet Professional Development

Job Training Partnership

Carl D. Perkins Grant

OneNet

Safe Schools

Title II

Title VI

Entry Year Grant

Eisenhower Grant

Capital Projects Fund

Vocational Education Equipment

Enterprise Funds

Adult Education

Reimbursable Grants

Enterprise Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 55% of the District's operating revenue during the 2002 fiscal year.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

I. Compensated Absences

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

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

J. Accrued Liabilities and Long-Term Obligations

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

K. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, tax advance unavailable for appropriation and Bureau of Worker's Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

L. Interfund Transactions

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The District had short-term interfund loans receivable and payable at June 30, 2002.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2002.

An analysis of interfund transactions is presented in Note 5.

M. Prepayments

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

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a BWC refund reserve. The BWC refund reserve can be used only for purposes specified by the previously required State statute. A fund balance reserve has also been established. See note 17 for detail of statutory reserves.

O. Estimates

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

P. Memorandum Only - Total Columns

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

NOTE 3 -ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balance

Fund balance at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Career Development	\$5,454
Carl D. Perkins Grant	840
Miscellaneous Federal Grants	542
Management Information System	3

These funds complied with Ohio state law which does not permit a cash deficit at year-end.

The deficit fund balance in the Management Information Systems special revenue fund is the result of accruing wage and benefit obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues not recognized at June 30.

The deficit fund balance in the Career Development, Carl D. Perkins Grant, and Miscellaneous Federal Grants special revenue funds are due to the recording of "advances in" from the general fund as an interfund loan payable rather than as an "other financing source". These advances are subject to repayment. These deficits will be eliminated by intergovernmental revenues not recognized at June 30.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$315,283 and the bank balance was \$401,019. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$301,019 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the custodial credit level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

At June 30, 2002, the District had an investment of \$6,534,151 in STAR Ohio. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 6,849,434	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(6,534,151)</u>	<u>6,534,151</u>
GASB Statement No. 3	<u>\$ 315,283</u>	<u>\$6,534,151</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$220,391	\$ -
<u>Special Revenue Funds</u>		
Career Development	-	5,314
Entry Year Grant	-	900
Miscellaneous State Grants	-	12,000
Carl D. Perkins Grant	-	201,142
Miscellaneous Federal Grants	<u>-</u>	<u>1,035</u>
Totals	<u>\$220,391</u>	<u>\$220,391</u>

NOTE 6 - PROPERTY TAXES

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

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES - (Continued)

personal property is assessed at varying rates of true value. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2001 taxes were collected was \$1,092,468,380. Agricultural/residential and public utility/minerals real estate represented 75.22% or \$821,702,590 of this total; Commercial & industrial real estate represented 10.02% or \$109,516,774 of this total, public utility tangible represented 4.70% or \$51,341,980 of this total and general tangible property represented 10.06% or \$109,907,036 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$2.00 per \$1,000 of assessed valuation for operations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount of tax advance available at year-end was \$21,541 and has been recorded as revenue.

Taxes available for advance and recognized as revenue, but not received by the district prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of taxes, accounts, accrued interest, interfund loans, and intergovernmental grants (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$2,000,559
Accounts	37,000
Interfund loans	220,391
Due from other governments	803,168
 <u>Special Revenue Fund</u>	
Due from other governments	217,117

NOTE 8 - FIXED ASSETS

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

	<u>Balance</u> <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2002</u>
Land, buildings and improvements	\$7,012,647	\$13,148	\$ -	\$7,025,795
Furniture, fixtures and equipment	2,141,352	73,553	(77,274)	2,137,631
Vehicles	<u>67,591</u>	<u>-</u>	<u>-</u>	<u>67,591</u>
Total	<u>\$9,221,590</u>	<u>\$86,701</u>	<u>\$(77,274)</u>	<u>\$9,231,017</u>

There was no significant construction in progress at June 30, 2002.

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture, fixtures and equipment	\$ 22,665
Less: accumulated depreciation	<u>(19,331)</u>
Net fixed assets	<u>\$ 3,334</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences, the retirement incentive, and the pension obligations will be paid from the fund in which the employee was paid. Compensated absences are presented net of actual increases and decreases due to of the practicality of determining these values.

	Balance <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2002</u>
Compensated absences payable	\$521,866	\$178,675	\$ -	\$700,541
Retirement incentive payable	15,000	15,000	(15,000)	15,000
Pension obligation payable	<u>1,364</u>	<u>1,413</u>	<u>(1,364)</u>	<u>1,413</u>
Total	<u>\$538,230</u>	<u>\$195,088</u>	<u>\$(16,364)</u>	<u>\$716,954</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$98,322,154 and an unvoted debt margin of \$1,092,468.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees and administrators earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 315 days. Upon retirement, payment is made for 25% of the total sick leave accumulation, up to a maximum accumulation of 66 days severance pay at the daily rate of the employee.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 10 - EMPLOYEE BENEFITS - (Continued)

B. Life Insurance

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

C. Retirement Incentive

The District had a retirement incentive bonus in place during fiscal year 2002. This bonus is available to both classified and certified employees in the amount of \$10,000 and \$15,000, respectively. Employees retiring the first time they are eligible to retire based upon SERS/STRS eligibility will receive the bonus. First time eligibility means:

- a. Any age with at least 30 years of service credit
- b. Age 55 or over with at least 25 years of service credit
- c. Age 60 or over with at least 5 years of service credit.

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

At June 30, 2002, one employee elected to take the retirement incentive bonus. The liability is recorded in the general long-term obligations account group.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the District contracted with Indiana Insurance Company for property and fleet insurance, commercial crime insurance and inland marine coverage and with Nationwide Insurance Company for liability insurance. Buildings are 90% co-insured. A summary of coverages provided are as follows:

	<u>Coverage</u>	<u>Deductible</u>
Buildings, Contents and Boiler	\$15,174,744	\$ 5,000
Equipment Breakdown	15,174,744	1,000
Inland Marine Coverage	443,713	100
Automobile Liability	1,000,000	0
Uninsured Motorists	1,000,000	0
Garage Policy:		
Per Occurrence	1,000,000	100-250
Aggregate	3,000,000	
General Liability:		
Per Occurrence	1,000,000	1,000
Aggregate	5,000,000	
Excess Liability	1,000,000	1,000

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Employee Health, Dental and Vision

The District has contracted with the Stark County Schools Council of Government (Council) Health Benefits Program to provide employee medical/surgical, dental and vision benefits. The Council's Health Benefits Program is a shared risk pool comprised of 15 Stark County Districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting District subsequent to the settlements of all expenses and claims. The District pays 90% of the premium for medical and dental coverage and 100% of the premium for vision coverage. The following amounts were paid by the District in fiscal 2002:

	<u>Family</u>	<u>Single</u>
Medical	\$543.82	\$223.86
Dental	70.12	28.43
Vision	14.88	5.99

C. Workers' Compensation

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, school supplies, and adult education. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$126,544	\$2,833	\$ 30,445	\$159,822
Operating expenses				
before depreciation	174,360	1,532	64,039	239,931
Depreciation	304	-	162	466
Operating income/(loss)	(48,120)	1,301	(33,756)	(80,575)
Federal donated				
commodities	11,847	-	-	11,847
Operating grants	19,614	-	17,068	36,682
Net income/(loss)	(14,273)	1,301	(16,688)	(29,660)
Net working capital	7,113	6,704	11,246	25,063
Total assets	27,895	6,704	14,153	48,752
Total liabilities	24,914	-	1,968	26,882
Total equity	2,981	6,704	12,185	21,870
Encumbrances outstanding				
at June 30, 2002	-	-	3,338	3,338

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS to fund pension obligations for the fiscal years ended June 30, 2002, 2001 and 2000 were \$34,457, \$25,482, and \$28,882, respectively; 100% has been contributed for fiscal year 2002, 2001 and 2000.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS to fund pension obligations for the fiscal years ended June 30, 2002, 2001, and 2000 were \$274,995, \$271,532, and \$124,244, respectively; 100% has been contributed for fiscal years 2002, 2001 and 2000.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. The Board's liability is 6.2% of wages paid.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$130,261 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$60,202 during the 2002 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	Excess (Deficiency) and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses		
	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$ 684,583	\$ 9,073	\$(2,500)
Net adjustment for revenue accruals	764,211	153,667	-
Net adjustment for expenditure accruals	(27,328)	(2,972)	-
Net adjustment for other financing sources/(uses)	172,795	(172,975)	-
Encumbrances (budget basis)	<u>516,943</u>	<u>42,284</u>	<u>-</u>
GAAP basis	<u><u>\$2,111,204</u></u>	<u><u>\$ 29,077</u></u>	<u><u>\$(2,500)</u></u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

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

C. State School Funding Decision

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

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2001	\$ (74,521)	\$ -	\$43,685
Current year set-aside requirement	85,707	85,707	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(287,854)</u>	<u>(216,567)</u>	<u>-</u>
Total	<u><u>\$(276,668)</u></u>	<u><u>\$(130,860)</u></u>	<u><u>\$43,685</u></u>
Cash balance carried forward to FY 2003	<u><u>\$(276,668)</u></u>	<u><u>\$ -</u></u>	<u><u>\$43,685</u></u>

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



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the financial statements of Stark County Area Vocational School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance and whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 15, 2002.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

November 15, 2002

**STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-11276-001	Bank Reconciliations	No	Partially Corrected - Board does not review and approve monthly bank reconciliations. Refer to Management Letter.
2001-11276-002	Ohio Rev. Code Section 5705.39, appropriations exceeding estimated resources	Yes	Corrected - The District has obtained the County Auditor's Certificate that total appropriations from each fund do not exceed total official estimate or amended official estimate when amending estimated resources.
2001-11276-003	Ohio Rev. Code Section 5705.10, negative cash fund balances	Yes	Corrected - The Treasurer reviews fund balances as a part of the District's monthly closeout. The District had no negative cash fund balances during the fiscal year.
2001-11276-004	Ohio Rev. Code Section 5705.41(B), expenditures exceeding appropriations	Yes	Corrected - The Treasurer frequently compares expenditures to appropriations during the year to avoid overspending.



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STARK COUNTY AREA VOCATIONAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 10, 2002**