



**SOUTHERN HILLS JOINT VOCATIONAL  
SCHOOL DISTRICT  
BROWN COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT  
BROWN COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

Southern Hills Joint Vocational School District  
Brown County  
9193 Hamer Road  
Georgetown, Ohio 45121

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Southern Hills Joint Vocational School District, Brown County, Ohio (the District), as of and for the fiscal years ended June 30, 2000 and June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000 and June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

January 9, 2001

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Southern Hills Joint Vocational School  
Brown County

Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2000

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><u>Assets and Other Debits:</u></b>			
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$1,748,509	\$89,086	\$1,245,815
Receivables:			
Taxes	1,583,776	0	121,309
Accounts	116	0	0
Intergovernmental	12,613	1,000	0
Accrued Interest	54,901	0	0
Interfund Receivable	50,857	0	0
Prepaid Items	9,556	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	38,324	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	58,107	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
 <b><u>Other Debits:</u></b>			
Amount to be Provided for retirement of General Long-Term Obligations	0	0	0
 Total Assets and Other Debits	\$3,556,759	\$90,086	\$1,367,124



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$655,332	\$21,569	\$0	\$0	\$3,760,311
0	0	0	0	1,705,085
1,908	0	0	0	2,024
1,600	0	0	0	15,213
2,169	0	0	0	57,070
0	0	0	0	50,857
0	0	0	0	9,556
3,947	0	0	0	3,947
1,444	0	0	0	39,768
0	0	0	0	58,107
14,280	0	8,354,983	0	8,369,263
0	0	0	176,692	176,692
<u>\$680,680</u>	<u>\$21,569</u>	<u>\$8,354,983</u>	<u>\$176,692</u>	<u>\$14,247,893</u>

(continued)

Southern Hills Joint Vocational School  
Brown County

Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2000  
(Continued)

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><u>Liabilities,</u></b>			
<b><u>Fund Equity and Other Credits:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$17,918	\$378	\$6,404
Contracts Payable	0	0	3,295
Accrued Wages and Benefits	356,445	9,615	0
Compensated Absences Payable	10,892	0	0
Interfund Payable	0	39,700	0
Intergovernmental Payable	11,817	629	88
Deferred Revenue	1,407,446	0	105,774
Undistributed Monies	0	0	0
	<b>1,804,518</b>	<b>50,322</b>	<b>115,561</b>
<b><u>Fund Equity and Other Credits:</u></b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	73,785	37,310	33,216
Reserved for Inventory	38,324	0	0
Reserved for Property Taxes	176,330	0	15,535
Reserved for Budget Stabilization	58,107	0	0
Unreserved:			
Undesignated	1,405,695	2,454	1,202,812
	<b>1,752,241</b>	<b>39,764</b>	<b>1,251,563</b>
Total Liabilities, Fund Equity and Other Credits	<b>\$3,556,759</b>	<b>\$90,086</b>	<b>\$1,367,124</b>

See accompanying notes to the financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$1,121	\$0	\$0	\$0	\$25,821
0	0	0	0	3,295
17,760	0	0	0	383,820
15,787	0	0	172,820	199,499
10,950	207	0	0	50,857
1,114	0	0	3,872	17,520
1,967	0	0	0	1,515,187
0	17,604	0	0	17,604
<u>48,699</u>	<u>17,811</u>	<u>0</u>	<u>176,692</u>	<u>2,213,603</u>
0	0	8,354,983	0	8,354,983
631,981	0	0	0	631,981
0	0	0	0	144,311
0	0	0	0	38,324
0	0	0	0	191,865
0	0	0	0	58,107
<u>0</u>	<u>3,758</u>	<u>0</u>	<u>0</u>	<u>2,614,719</u>
<u>631,981</u>	<u>3,758</u>	<u>8,354,983</u>	<u>0</u>	<u>12,034,290</u>
<u>\$680,680</u>	<u>\$21,569</u>	<u>\$8,354,983</u>	<u>\$176,692</u>	<u>\$14,247,893</u>

Southern Hills Joint Vocational School  
Brown County

Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types and Expendable Trust Fund  
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b><u>Revenues:</u></b>					
Property Taxes	\$1,595,994	\$0	\$133,124	\$0	\$1,729,118
Intergovernmental	2,320,752	260,172	121,073	0	2,701,997
Interest	106,134	0	94,674	0	200,808
Tuition and Fees	4,140	0	0	0	4,140
Rent	7,246	0	0	0	7,246
Extracurricular Activities	0	0	30,000	0	30,000
Gifts and Donations	0	0	0	1,250	1,250
Customer Services	14,042	12,500	0	0	26,542
Miscellaneous	3,201	219	0	959	4,379
<b>Total Revenues</b>	<b>4,051,509</b>	<b>272,891</b>	<b>378,871</b>	<b>2,209</b>	<b>4,705,480</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	95,941	0	0	0	95,941
Vocational	2,418,905	69,585	0	0	2,488,490
Adult/Continuing	0	10,096	0	0	10,096
Support Services:					
Pupils	141,394	154,627	0	0	296,021
Instructional Staff	88,852	17,499	0	0	106,351
Board of Education	34,902	0	0	0	34,902
Administration	292,137	1,509	0	0	293,646
Fiscal	234,982	789	0	0	235,771
Business	5,345	0	0	0	5,345
Operation and Maintenance of Plant	418,922	0	0	0	418,922
Pupil Transportation	13,419	0	0	0	13,419
Central	18,550	28,130	0	0	46,680
Non-Instructional Services	3,641	0	0	0	3,641
Extracurricular Activities	4,669	(322)	0	750	5,097
Capital Outlay	17,789	0	382,925	0	400,714
<b>Total Expenditures</b>	<b>3,789,448</b>	<b>281,913</b>	<b>382,925</b>	<b>750</b>	<b>4,455,036</b>
Excess of Revenues Over (Under) Expenditures	262,061	(9,022)	(4,054)	1,459	250,444
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Fixed Assets	4,838	0	0	0	4,838
Operating Transfers In	0	2,595	0	0	2,595
Operating Transfers Out	(86,170)	0	0	0	(86,170)
<b>Total Other Financing Sources (Uses)</b>	<b>(81,332)</b>	<b>2,595</b>	<b>0</b>	<b>0</b>	<b>(78,737)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	180,729	(6,427)	(4,054)	1,459	171,707
Fund Balances at Beginning of Year (Restated - Note 22)	1,560,642	46,191	1,255,617	2,299	2,864,749
Increase in Reserve for Inventory	10,870	0	0	0	10,870
<b>Fund Balances at End of Year</b>	<b>\$1,752,241</b>	<b>\$39,764</b>	<b>\$1,251,563</b>	<b>\$3,758</b>	<b>\$3,047,326</b>

See accompanying notes to the financial statements

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Southern Hills Joint Vocational School  
Brown County

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Governmental Fund Types and Expendable Trust Fund  
For the Fiscal Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$1,623,962	\$1,654,303	\$30,341	\$0	\$0	\$0
Intergovernmental	2,373,746	2,321,541	(52,205)	324,114	298,042	(26,072)
Interest	83,000	91,003	8,003	0	0	0
Tuition and Fees	4,000	4,040	40	0	0	0
Rent	7,200	7,246	46	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Customer Services	26,953	26,931	(22)	12,500	12,500	0
Miscellaneous	500	621	121	0	0	0
<b>Total Revenues</b>	<b>4,119,361</b>	<b>4,105,685</b>	<b>(13,676)</b>	<b>336,614</b>	<b>310,542</b>	<b>(26,072)</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	132,482	130,762	1,720	896	0	896
Vocational	2,439,646	2,373,830	65,816	81,097	81,097	0
Adult/Continuing	0	0	0	10,438	10,438	0
Support Services:						
Pupils	138,571	137,667	904	204,813	186,154	18,659
Instructional Staff	95,196	81,284	13,912	21,743	21,687	56
Board of Education	37,004	23,387	13,617	0	0	0
Administration	290,844	286,006	4,838	1,524	1,499	25
Fiscal	239,937	236,343	3,594	1,798	1,798	0
Business	5,278	5,020	258	0	0	0
Operation and Maintenance of Plant	460,664	427,416	33,248	0	0	0
Pupil Transportation	18,952	15,154	3,798	0	0	0
Central	28,600	18,900	9,700	36,923	30,568	6,355
Non-Instructional Services	4,500	3,645	855	0	0	0
Extracurricular Activities	0	0	0	872	872	0
Capital Outlay	35,579	17,789	17,790	0	0	0
<b>Total Expenditures</b>	<b>3,927,253</b>	<b>3,757,203</b>	<b>170,050</b>	<b>360,104</b>	<b>334,113</b>	<b>25,991</b>
Excess of Revenues Over (Under) Expenditures	192,108	348,482	156,374	(23,490)	(23,571)	(81)
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	4,000	4,838	838	0	0	0
Refund of Prior Year Expenditures	2,020	2,680	660	219	219	0
Refund of Prior Year Receipts	(1,000)	0	1,000	0	0	0
Advances In	65,000	64,975	(25)	44,500	44,700	200
Advances Out	(50,000)	(48,000)	2,000	(61,000)	(61,000)	0
Other Financing Sources	0	0	0	(10)	0	10
Operating Transfers In	(684)	0	684	2,595	2,595	0
Operating Transfers Out	(93,015)	(90,839)	2,176	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(73,679)</b>	<b>(66,346)</b>	<b>7,333</b>	<b>(13,696)</b>	<b>(13,486)</b>	<b>210</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	118,429	282,136	163,707	(37,186)	(37,057)	129
Fund Balances at Beginning of Year	1,314,607	1,314,607	0	82,701	82,701	0
Prior Year Encumbrances Appropriated	126,420	126,420	0	5,754	5,754	0
<b>Fund Balances at End of Year</b>	<b>\$1,559,456</b>	<b>\$1,723,163</b>	<b>\$163,707</b>	<b>\$51,269</b>	<b>\$51,398</b>	<b>\$129</b>

See accompanying notes to the financial statements

Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$135,514	\$137,766	\$2,252	\$0	\$0	\$0	\$1,759,476	\$1,792,069	\$32,593
154,690	121,073	(33,617)	0	0	0	2,852,550	2,740,656	(111,894)
83,700	83,702	2	0	0	0	166,700	174,705	8,005
0	0	0	0	0	0	4,000	4,040	40
0	0	0	0	0	0	7,200	7,246	46
30,000	30,000	0	0	0	0	30,000	30,000	0
0	0	0	1,400	1,250	(150)	1,400	1,250	(150)
0	0	0	0	0	0	39,453	39,431	(22)
0	0	0	915	959	44	1,415	1,580	165
403,904	372,541	(31,363)	2,315	2,209	(106)	4,862,194	4,790,977	(71,217)
14,900	13,760	1,140	0	0	0	148,278	144,522	3,756
447,027	142,079	304,948	0	0	0	2,967,770	2,597,006	370,764
3,238	0	3,238	0	0	0	13,676	10,438	3,238
0	0	0	0	0	0	343,384	323,821	19,563
98,708	93,433	5,275	0	0	0	215,647	196,404	19,243
0	0	0	0	0	0	37,004	23,387	13,617
0	0	0	0	0	0	292,368	287,505	4,863
6,528	5,303	1,225	0	0	0	248,263	243,444	4,819
0	0	0	0	0	0	5,278	5,020	258
58,208	48,958	9,250	0	0	0	518,872	476,374	42,498
0	0	0	0	0	0	18,952	15,154	3,798
0	0	0	0	0	0	65,523	49,468	16,055
0	0	0	0	0	0	4,500	3,645	855
0	0	0	4,035	750	3,285	4,907	1,622	3,285
314,699	110,471	204,228	0	0	0	350,278	128,260	222,018
943,308	414,004	529,304	4,035	750	3,285	5,234,700	4,506,070	728,630
(539,404)	(41,463)	497,941	(1,720)	1,459	3,179	(372,506)	284,907	(799,847)
0	0	0	0	0	0	4,000	4,838	838
0	0	0	0	0	0	2,239	2,899	660
0	0	0	0	0	0	(1,000)	0	1,000
0	0	0	0	0	0	109,500	109,675	175
0	0	0	0	0	0	(111,000)	(109,000)	2,000
0	0	0	0	0	0	(10)	0	10
0	0	0	0	0	0	1,911	2,595	684
0	0	0	0	0	0	(93,015)	(90,839)	2,176
0	0	0	0	0	0	(87,375)	(79,832)	7,543
(539,404)	(41,463)	497,941	(1,720)	1,459	3,179	(459,881)	205,075	664,956
1,169,461	1,169,461	0	2,299	2,299	0	2,569,068	2,569,068	0
76,918	76,918	0	0	0	0	209,092	209,092	0
\$706,975	\$1,204,916	\$497,941	\$579	\$3,758	\$3,179	\$2,318,279	\$2,983,235	\$664,956

Southern Hills Joint Vocational School  
Brown County

Combined Statement of Revenues, Expenses and  
Changes in Retained Earnings  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2000

	Enterprise
<b><u>Operating Revenues:</u></b>	
Tuition	\$51,611
Sales	89,143
Charges for Services	91,480
Other	2,648
Total Operating Revenues	234,882
<b><u>Operating Expenses:</u></b>	
Salaries	145,900
Fringe Benefits	64,441
Purchased Services	13,946
Materials and Supplies	134,010
Cost of Sales	40,127
Depreciation	2,885
Other	112
Total Operating Expenses	401,421
Operating Loss	(166,539)
<b><u>Non-Operating Revenues:</u></b>	
Federal Donated Commodities	7,880
Federal and State Subsidies	159,851
Interest	10,687
Total Non-Operating Revenues	178,418
Income Before Operating Transfers	11,879
Operating Transfers-In	85,900
Operating Transfers-Out	(2,325)
Net Income	95,454
Retained Earnings at Beginning of Year (Restated - Note 22)	536,527
Retained Earnings at End of Year	\$631,981

See accompanying notes to the financial statements



Southern Hills Joint Vocational School  
Brown County

Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2000

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Tuition	\$50,000	\$55,191	\$5,191
Sales	90,030	89,143	(887)
Interest	8,000	8,518	518
Charges for Services	90,764	89,880	(884)
Federal and State Subsidies	153,830	159,851	6,021
Other	790	740	(50)
<b>Total Revenues</b>	<b>393,414</b>	<b>403,323</b>	<b>9,909</b>
<b><u>Expenses:</u></b>			
Salaries	218,190	135,194	82,996
Fringe Benefits	86,264	64,950	21,314
Purchased Services	24,084	14,591	9,493
Materials and Supplies	221,836	169,289	52,547
Other	225	52	173
Capital Outlay	56,600	53,381	3,219
<b>Total Expenses</b>	<b>607,199</b>	<b>437,457</b>	<b>169,742</b>
Excess of Revenues Over (Under)			
Expenses before Transfers and Advances	(213,785)	(34,134)	179,651
Operating Transfers In	95,000	85,900	(9,100)
Operating Transfers Out	(7,325)	(2,325)	5,000
Advances In	0	300	300
Advances Out	(10,975)	(875)	10,100
Excess of Revenues Over (Under)			
Expenses, Transfers and Advances	(137,085)	48,866	185,951
Fund Equity at Beginning of Year	546,075	546,075	0
Prior Year Encumbrances Appropriated	5,192	5,192	0
<b>Fund Equity at End of Year</b>	<b>\$414,182</b>	<b>\$600,133</b>	<b>\$185,951</b>

See accompanying notes to the financial statements

Southern Hills Joint Vocation School  
Brown County

Combined Statement of Cash Flows  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2000

	<u>Enterprise</u>
<i><u>Increase (Decrease) in Cash and Cash Equivalents:</u></i>	
<i><u>Cash Flows from Operating Activities:</u></i>	
Cash Received from Customers	\$179,023
Cash Received from Tuition Payments	55,191
Cash Received from Other Operating Sources	740
Cash Payments to Suppliers for Goods and Services	(180,987)
Cash Payments to Employees for Services	(135,194)
Cash Payments for Employee Benefits	(64,950)
Cash Payments for Other Operating Uses	(52)
<i>Net Cash Used for Operating Activities</i>	(146,229)
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>	
Operating Grants Received	159,851
Short-Term Loans from Other Funds	300
Repayment of Short-Term Loans	(875)
Operating Transfers In	85,900
Operating Transfers Out	(2,325)
<i>Net Cash Provided by Noncapital Financing Activities</i>	242,851
<i><u>Cash Flows from Capital and Related Financing Activities:</u></i>	
Payments for Capital Acquisitions	(1,075)
<i><u>Cash Flows from Investing Activities:</u></i>	
Interest on Investments	8,518
<i>Net Increase in Cash and Cash Equivalents</i>	104,065
<i>Cash and Cash Equivalents at Beginning of Year</i>	551,267
<i>Cash and Cash Equivalents at End of Year</i>	\$655,332

(Continued)

Southern Hills Joint Vocation School  
Brown County

Combined Statement of Cash Flows  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2000  
(Continued)

	<u>Enterprise</u>
<i>Reconciliation of Operating Loss to Net</i>	
<i>Cash Used for Operating Activities:</i>	
Operating Loss	(\$171,278)
 <i>Adjustments to Reconcile Operating</i>	
<i>Loss to Net Cash Used for Operating Activities:</i>	
Depreciation	2,885
Donated Commodities Used During Year	7,880
<i>Changes in Assets and Liabilities:</i>	
Decrease in Accounts Receivable	1,672
Increase in Ingovernmental Receivable	(1,600)
Decrease in Inventory Held for Resale	150
Decrease in Materials and Supplies Inventory	289
Decrease in Accounts Payable	(1,164)
Increase in Accrued Wages and Benefits	10,919
Increase in Compensated Absences	4,162
Decrease in Intergovernmental Payable	(144)
 <i>Total Adjustments</i>	 25,049
 <i>Net Cash Used for Operating Activities</i>	 (\$146,229)

See accompanying notes to the financial statements

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Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Southern Hills Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a five-member Board of Education. The Board of Education is not directly elected. The Board of Education is comprised of members of other elected boards who, by charter, also serve as board members of the Southern Hills Joint Vocational School. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District is a blended component unit of the Brown County Education Service Center (the Service Center), a legally separate body politic. Three out of five board members of the Southern Hills Joint Vocational School District are also board members of the Service Center. The remaining board members are appointed by the Georgetown Exempted Village School District and the Highland-Clinton-Fayette Educational Service District. The Joint Vocational School is responsible for levying taxes, approving its own budget, appointing personnel, and accounting and finance related activities.

The School District was established in 1970 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 634 square miles. It is located in Brown County and includes all of Brown County and Bright Local School District in Highland County. It is staffed by 16 non-certificated and 46 certificated teaching personnel and administrative employees providing education to 384 secondary students and 1,018 adult students.

**Reporting Entity**

The reporting entity consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Southern Hills Joint Vocational School, this includes general operations, food service, continuing education and student related activities of 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. The School District has no component units.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT** (Continued)

The School District is associated with four organizations, two of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Brown County Schools Benefits Consortium. These organizations are presented in Notes 16, 17 and 18 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Southern Hills Joint Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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

and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

General Fund - The general fund is the operating fund of the School District and is used to account 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.

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

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

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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 Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. For the School District these include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**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 a general nature, the following account groups are used:

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., 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 operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have contributed capital. Proprietary funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.



Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, grants, investment earnings, tuition, student fees and charges for services.

The School District reports deferred revenues 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. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been given the authority to allocate appropriations among objects. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$4,669 to the student activities agency fund from the general fund. Also, advances-in and advances-out do not equal on a budgetary basis by \$100 due to an advance from the student activities agency fund to the general fund.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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

Tax Budget:

Prior to January 15, 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.

By no later than January 20, the Board-adopted budget is filed with the Brown County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditure, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School 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. 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 so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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

The budget figures which appear 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 by the Board of Education, during the year for all funds other than agency funds, at the object level, 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 the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal 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 are not reappropriated.

**D. 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 combined balance sheet.

During fiscal year 2000 investments were limited to nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, commercial paper and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue is credited to the general and capital projects funds. Interest revenue credited to the general and capital projects funds during fiscal year 2000 amounted to \$106,134 and \$94,674, which includes \$56,429 and \$59,453 assigned from other School District funds, respectively. The enterprise funds received interest revenue of \$10,687.

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 School District are considered to be cash equivalents.

**E. Inventory**

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. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, non-food supplies, and school supplies held for resale, and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

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 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 School District maintains a capitalization threshold of five hundred dollars.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten to twenty years. The School District does not have any infrastructure.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Career Development  
Education Management Information Systems  
Public School Preschool  
Title VI  
Vocational Education Planning District  
Work and Family Life Grant  
Single Parent  
Adult Basic Literacy Education  
Vocational Education Equipment  
Professional Development  
School to Work  
Wellness Block Grant  
Excellence in Education

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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

Reimbursable Grants

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 57 percent of governmental fund revenue during the 2000 fiscal year.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”.

**J. 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 School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have used current available financial resources.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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

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

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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

**M. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**O. 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.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned “Totals - (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 cash flows in conformity with generally accepted accounting principles. 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**

**A. Accountability**

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

<u>Special Revenue Funds</u>	<u>Amounts</u>
Adult Basic Literacy Education	\$20
Title VI	978

The deficits in these funds are due to adjustments for accrued liabilities, and the timing of grant awards. The general fund is liable for these deficits and provides operating transfers when cash is required, not when accruals occur.

**B. Compliance**

The District did not certify the availability of funds for certain commitments as required by Ohio law.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis)-Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.



Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$180,729	(\$8,626)	(\$4,054)	\$1,459
Adjustments:				
Revenue Accruals	56,856	37,870	(6,330)	0
Expenditure Accruals	116,484	(12,313)	9,787	0
Transfers	(4,669)	0	0	0
Advances	16,975	(16,300)	0	0
Encumbrances	(84,239)	(37,688)	(40,866)	0
Budget Basis	\$282,136	(\$37,057)	(\$41,463)	\$1,459

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

	<u>Enterprise</u>
Net Income/Excess of Revenues Over (Under) Expenses, Transfers and Advances Proprietary Fund Type	
GAAP Basis	\$90,715
Adjustments:	
Revenue Accruals	(9,977)
Expense Accruals	19,942
Capital Outlay	1,075
Depreciation Expense	2,885
Advances	(575)
Encumbrances	<u>(55,199)</u>
Budget Basis	<u><u>\$48,866</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demand 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.

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.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

Protection of the 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 may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal 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. Bond 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) 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 (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

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 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.

***Cash on Hand*** At year end, the School District had \$550 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."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

***Deposits*** At fiscal year end the carrying amount of the School District's deposits was \$2,304,249 and the bank balance was \$2,466,598. Of the bank balance \$1,895,729 was covered by federal depository insurance and \$570,869 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

***Investments*** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

	Category 1	Category 2	Category 3	Carrying/Fair Value
Repurchase Agreement	\$0	\$0	\$287,867	\$287,867
STAR Ohio	0	0	0	317,114
Federal Home Loan Mortgage Corporation Bonds	643,025	0	0	643,025
Commercial Paper	0	265,613	0	265,613
Total	<u>\$643,025</u>	<u>\$265,613</u>	<u>\$287,867</u>	<u>\$1,513,619</u>

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$3,818,418	\$0
Cash on Hand	(550)	0
Investments:		
Repurchase Agreement	(287,867)	287,867
STAR Ohio	(317,114)	317,114
Federal Home Loan Mortgage Corporation	(643,025)	643,025
Commercial Paper	(265,613)	265,613
GASB Statement No. 3	<u>\$2,304,249</u>	<u>\$1,513,619</u>

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 6 - 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 located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) are for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

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

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 6 - PROPERTY TAXES** (Continued)

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$374,019,750	82.52%	\$389,966,580	82.74%
Public Utility	160,420	0.04%	160,420	0.03%
Tangible Personal Property	79,047,039	17.44%	81,209,663	17.23%
Total Assessed Value	<u>\$453,227,209</u>	<u>100.00%</u>	<u>\$471,336,663</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$5.80		\$5.80	

The School District receives property taxes from Brown and Highland Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$176,330 in the General Fund, and \$15,535 in the Permanent Improvement Capital Projects Fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2000, consisted of property taxes, accounts, interest, interfund and intergovernmental grants and charges for services. 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 year guarantee of federal funds.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 7 - RECEIVABLES** (Continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<u>General Fund:</u>	
Fiscal Agent Fees	\$2,199
Building Use	414
Excess Costs	10,000
Total General Fund	12,613
<u>Special Revenue Funds:</u>	
Wellness Block Grant	1,000
<u>Enterprise Funds:</u>	
Building Use	1,600
Total Intergovernmental Receivables	\$15,213

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$156,704
Less: Accumulated Depreciation	(142,424)
Net Fixed Assets	\$14,280

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at June 30, 1999	Additions	Deletions	Balance at June 30, 2000
Land	\$407,830	\$0	\$0	\$407,830
Buildings and Improvements	4,943,891	63,567	0	5,007,458
Furniture, Fixtures and Equipment	2,594,064	285,842	171,421	2,708,485
Vehicles	167,670	63,540	0	231,210
Totals	\$8,113,455	\$412,949	\$171,421	\$8,354,983



Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 9 - RISK MANAGEMENT**

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. During fiscal year 2000, the School District contracted with Nationwide Insurance Company for general liability insurance with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by Indiana Insurance and holds a \$1,000 deductible.

The School District's vehicles are covered by the Auto-Owners Insurance Company and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Vehicles are also covered under the commercial umbrella policy.

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

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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.

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk pool (Note 18) consisting of seven districts. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions and all claims of its employees from the date of termination, regardless of the date such claims were incurred.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2000, 5.5 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$26,094, \$34,473 and \$33,707, respectively, equal to the actual contributions for each fiscal year.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$120,368, \$118,012 and \$190,026, respectively, equal to the actual contributions for each fiscal year.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 11 - 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored 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. Most benefit recipients pay a portion of the 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, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$160,491 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$44,900.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 11 - POSTEMPLOYMENT BENEFITS** (Continued)

health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each year under contract. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 50 days for all personnel.

**B. Other Employee Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. Dental insurance is provided by the School District to all employees through CoreSource, Inc.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 2000 were as follows:

	<u>Principal Outstanding 7/01/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/00</u>
Compensated Absences	\$152,489	\$32,624	\$12,293	\$172,820
Intergovernmental Payable (Pension Obligation)	<u>1,027</u>	<u>3,872</u>	<u>1,027</u>	<u>3,872</u>
Total General Long-Term Obligations	<u><u>\$153,516</u></u>	<u><u>\$36,496</u></u>	<u><u>\$13,320</u></u>	<u><u>\$176,692</u></u>

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$42,420,300 with an unvoted debt margin of \$471,337 at June 30, 2000.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 14 - INTERFUND ACTIVITY**

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
<u>General Fund</u>	\$50,857	\$0
<u>Special Revenue Funds:</u>		
Other Grant	0	3,500
Career Development	0	10,000
Vocational Education Basic Grant	0	25,000
Title VI	0	1,200
Total Special Revenue Funds	0	39,700
<u>Enterprise Fund:</u>		
Rotary	0	10,950
<u>Agency Fund:</u>		
Student Managed Activity	0	207
Total All Funds	\$50,857	\$50,857

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, customer services and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Southern Hills Joint Vocational School as of and for the fiscal year ended June 30, 2000.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS** (Continued)

	Food Service	Uniform School Supplies	Rotary	Adult Education	Total Enterprise Funds
Operating Revenues	\$71,974	\$17,169	\$94,128	\$51,611	\$234,882
Depreciation Expense	2,121	0	0	764	2,885
Operating Income (Loss)	(78,402)	1,288	(3,650)	(90,514)	(171,278)
Donated Commodities	7,880	0	0	0	7,880
Federal and State Subsidies	48,399	0	0	111,452	159,851
Operating Transfers	60,325	0	(1,750)	25,000	83,575
Net Income (Loss)	48,889	1,288	(5,400)	45,938	90,715
Fixed Asset Additions	0	0	0	1,075	1,075
Net Working Capital	195,025	84,561	52,401	301,501	633,488
Total Assets	219,300	84,561	63,922	312,897	680,680
Total Equity	203,422	84,561	52,401	291,597	631,981
Encumbrances	(53,075)	0	(776)	(1,348)	(55,199)

**NOTE 16 - JOINTLY GOVERNED ORGANIZATION**

**A. South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Jackson, Pike, Ross, Scioto, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating counties, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$6,754 for service provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATION** (Continued)

**B. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various inservice for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council.

**NOTE 17 - INSURANCE PURCHASING POOL**

The School District participates in The Ohio School Boards Association Workers' Compensation Group Rating Plan (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 OSBA. 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.

**NOTE 18 - PUBLIC ENTITY SHARED RISK POOL**

The Brown County Schools Benefits Consortium, a public entity shared risk pool currently operates to provide health insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern Brown, Fayetteville, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the consortium are to formulate and administer a program of health insurance for the benefit of the consortium members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The School District pays premiums based on what the consortium estimates will cover the costs of all claims for which the consortium is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The consortium views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 19 - STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,150,719 of school foundation support for its general fund.

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

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

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

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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 the 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 School District is also required to set aside money for budget stabilization.



Southern Hills Joint Vocational School  
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Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (Continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$49,111
Current Year Set-aside Requirement	89,495	89,495	29,832
Current Year Offsets	0	0	(20,836)
Qualifying Disbursements	<u>(164,203)</u>	<u>(95,949)</u>	<u>0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(74,708)</u>	<u>0</u>	<u>58,107</u>
Set-aside Reserve Balance as of June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$58,107</u>

Although the School District had qualifying disbursements during the year that reduced the capital acquisition and textbook set-aside amounts to below zero, only the amount for the textbook set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year. The total reserve balance for the three set-asides at the end of the fiscal year was \$58,107.

**NOTE 21 - CONTINGENCIES**

**Grants:**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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, 2000.

**Litigation:**

There are currently no matters in litigation with the School District as defendant.

Southern Hills Joint Vocational School  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 22 - RESTATEMENT OF PRIOR YEAR BALANCES**

In fiscal year 1999, accrued interest was incorrectly recorded to the capital project permanent improvement fund and should have been recorded to the general fund. This reclassification resulted in the following restatement of beginning fund balances:

	Balance at 6/30/99	Adjustments	Balance at 7/1/99
General	\$1,521,659	\$38,983	\$1,560,642
Capital Projects	1,294,600	(38,983)	1,255,617

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Southern Hills Joint Vocational School  
Brown County

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><i>Assets and Other Debits:</i></b>			
<b><i>Assets:</i></b>			
Equity in Pooled Cash and Cash Equivalents	\$1,391,916	\$88,455	\$1,235,440
Receivables:			
Taxes	1,551,767	0	130,328
Accounts	50	0	0
Intergovernmental	26,357	38,870	0
Accrued Interest	0	0	38,983
Interfund Receivable	67,832	0	0
Prepaid Items	13,173	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	27,454	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	49,111	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
 <b><i>Other Debits:</i></b>			
Amount to be Provided for retirement of General Long-Term Obligations	0	0	0
 Total Assets and Other Debits	\$3,127,660	\$127,325	\$1,404,751

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$551,267	\$18,314	\$0	\$0	\$3,285,392
0	0	0	0	1,682,095
3,580	0	0	0	3,630
0	0	0	0	65,227
0	0	0	0	38,983
0	0	0	0	67,832
0	0	0	0	13,173
4,745	0	0	0	4,745
1,733	0	0	0	29,187
0	0	0	0	49,111
16,090	0	8,113,455	0	8,129,545
0	0	0	144,910	144,910
<u>\$577,415</u>	<u>\$18,314</u>	<u>\$8,113,455</u>	<u>\$144,910</u>	<u>\$13,513,830</u>

(continued)

Southern Hills Joint Vocational School  
Brown County

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><i>Liabilities,</i></b>			
<b><i>Fund Equity and Other Credits:</i></b>			
<b><i>Liabilities:</i></b>			
Accounts Payable	\$11,869	\$1,139	\$0
Accrued Wages and Benefits	254,820	22,287	0
Compensated Absences Payable	3,200	0	0
Interfund Payable	0	56,000	0
Intergovernmental Payable	18,984	1,708	0
Deferred Revenue	1,317,128	0	110,151
Undistributed Monies	0	0	0
Total Liabilities	1,606,001	81,134	110,151
<b><i>Fund Equity and Other Credits:</i></b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	114,551	4,618	76,918
Reserved for Inventory	27,454	0	0
Reserved for Taxes	234,639	0	20,177
Reserved for Budget Stabilization	49,111	0	0
Unreserved:			
Undesignated	1,095,904	41,573	1,197,505
Total Fund Equity and Other Credits	1,521,659	46,191	1,294,600
Total Liabilities, Fund Equity and Other Credits	\$3,127,660	\$127,325	\$1,404,751

See accompanying notes to the financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
		\$0	\$0	\$15,293
		0	0	288,437
		0	143,883	158,959
	307	0	0	67,832
	0	0	1,027	22,977
	0	0	0	1,429,893
	15,708	0	0	15,708
40,888	16,015	0	144,910	1,999,099
0	0	8,113,455	0	8,113,455
536,527	0	0	0	536,527
0	0	0	0	196,087
0	0	0	0	27,454
0	0	0	0	254,816
0	0	0	0	49,111
0	2,299	0	0	2,337,281
536,527	2,299	8,113,455	0	11,514,731
<u>\$577,415</u>	<u>\$18,314</u>	<u>\$8,113,455</u>	<u>\$144,910</u>	<u>\$13,513,830</u>

Southern Hills Joint Vocational School  
Brown County

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

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
<b><u>Revenues:</u></b>					
Property Taxes	\$1,576,434	\$0	\$131,701	\$0	\$1,708,135
Intergovernmental	1,998,820	299,356	97,322	0	2,395,498
Interest	0	0	190,354	0	190,354
Tuition and Fees	4,490	0	0	0	4,490
Rent	4,531	0	0	0	4,531
Customer Services	49,821	12,500	0	0	62,321
Gifts and Donations	6,005	0	0	1,555	7,560
Miscellaneous	5,331	0	0	308	5,639
<b>Total Revenues</b>	<b>3,645,432</b>	<b>311,856</b>	<b>419,377</b>	<b>1,863</b>	<b>4,378,528</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	460,834	0	0	0	460,834
Vocational	1,810,727	83,692	0	0	1,894,419
Adult/Continuing	0	39,752	0	0	39,752
Support Services:					
Pupils	145,960	151,428	0	0	297,388
Instructional Staff	100,325	32,322	0	0	132,647
Board of Education	16,553	0	0	0	16,553
Administration	269,850	2,513	0	0	272,363
Fiscal	207,033	923	0	0	207,956
Operation and Maintenance of Plant	408,887	0	0	0	408,887
Pupil Transportation	15,341	0	0	0	15,341
Central	23,075	11,364	0	0	34,439
Operation of Non-					
Instructional Services	4,095	0	0	0	4,095
Extracurricular Activities	6,538	1,194	0	2,150	9,882
Capital Outlay	14,515	0	130,916	0	145,431
Debt Service:					
Principal Retirement	0	0	50,000	0	50,000
Interest and Fiscal Charges	2,500	0	5,450	0	7,950
Debt Defeasance	23,352	0	130,166	0	153,518
<b>Total Expenditures</b>	<b>3,509,585</b>	<b>323,188</b>	<b>316,532</b>	<b>2,150</b>	<b>4,151,455</b>
Excess of Revenues Over (Under) Expenditures	135,847	(11,332)	102,845	(287)	227,073
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Fixed Assets	1,840	0	0	0	1,840
Operating Transfers In	42,074	772	0	0	42,846
Operating Transfers Out	(97,161)	0	0	0	(97,161)
<b>Total Other Financing Sources (Uses)</b>	<b>(53,247)</b>	<b>772</b>	<b>0</b>	<b>0</b>	<b>(52,475)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	82,600	(10,560)	102,845	(287)	174,598
Fund Balances at Beginning of Year	1,438,495	57,994	1,191,755	2,586	2,690,830
Increase (Decrease) in Reserve for Inventory	564	(1,243)	0	0	(679)
<b>Fund Balances at End of Year</b>	<b>\$1,521,659</b>	<b>\$46,191</b>	<b>\$1,294,600</b>	<b>\$2,299</b>	<b>\$2,864,749</b>

See accompanying notes to the financial statements



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Southern Hills Joint Vocational School  
Brown County

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$1,516,264	\$1,516,264	\$0	\$0	\$0	\$0
Intergovernmental	2,010,017	2,010,017	0	273,405	227,508	(45,897)
Interest	0	0	0	0	0	0
Tuition and Fees	5,650	5,760	110	0	0	0
Rent	4,587	4,587	0	0	0	0
Customer Services	43,838	24,304	(19,534)	12,500	12,500	0
Gifts and Donations	6,005	6,005	0	0	0	0
Miscellaneous	2,588	2,578	(10)	0	0	0
Total Revenues	<u>3,588,949</u>	<u>3,569,515</u>	<u>(19,434)</u>	<u>285,905</u>	<u>240,008</u>	<u>(45,897)</u>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	472,727	456,446	16,281	0	0	0
Vocational	1,953,217	1,885,817	67,400	79,070	79,070	0
Adult/Continuing	0	0	0	55,651	41,217	14,434
Support Services:						
Pupils	152,284	147,991	4,293	191,852	157,362	34,490
Instructional Staff	119,663	108,876	10,787	37,462	31,798	5,664
Board of Education	47,314	31,556	15,758	0	0	0
Administration	287,762	275,310	12,452	2,655	2,589	66
Fiscal	226,850	222,250	4,600	2,003	930	1,073
Business	100	0	100	0	0	0
Operation and Maintenance of Plant	459,551	420,742	38,809	0	0	0
Pupil Transportation	19,064	15,644	3,420	0	0	0
Central	24,528	23,076	1,452	19,126	14,840	4,286
Operation of Non-Instructional Services						
Services	4,122	4,095	27	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	40,850	32,304	8,546	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	3,500	2,500	1,000	0	0	0
Advance Refunding Escrow	23,352	23,352	0	0	0	0
Total Expenditures	<u>3,834,884</u>	<u>3,649,959</u>	<u>184,925</u>	<u>387,819</u>	<u>327,806</u>	<u>60,013</u>
Excess of Revenues Over (Under) Expenditures	<u>(245,935)</u>	<u>(80,444)</u>	<u>165,491</u>	<u>(101,914)</u>	<u>(87,798)</u>	<u>14,116</u>
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	1,740	1,840	100	0	0	0
Refund of Prior Year Expenditures	2,653	2,653	0	4,800	4,800	0
Refund of Prior Year Receipts	(2,000)	0	2,000	(742)	0	742
Advances In	64,500	80,500	16,000	66,280	66,000	(280)
Advances Out	(90,000)	(78,832)	11,168	(49,500)	(49,500)	0
Other Financing Sources	0	0	0	51,641	51,641	0
Operating Transfers In	42,074	42,074	0	772	772	0
Operating Transfers Out	(125,000)	(103,699)	21,301	0	0	0
Total Other Financing Sources (Uses)	<u>(106,033)</u>	<u>(55,464)</u>	<u>50,569</u>	<u>73,251</u>	<u>73,713</u>	<u>462</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(351,968)</u>	<u>(135,908)</u>	<u>216,060</u>	<u>(28,663)</u>	<u>(14,085)</u>	<u>14,578</u>
Fund Balances at Beginning of Year	1,279,251	1,279,251	0	78,375	78,375	0
Prior Year Encumbrances Appropriated	171,264	171,264	0	18,411	18,411	0
Fund Balances at End of Year	<u>\$1,098,547</u>	<u>\$1,314,607</u>	<u>\$216,060</u>	<u>\$68,123</u>	<u>\$82,701</u>	<u>\$14,578</u>

See accompanying notes to the financial statements

Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$126,628	\$126,628	\$0	\$0	\$0	\$0	\$1,642,892	\$1,642,892	\$0
97,322	97,322	0	0	0	0	2,380,744	2,334,847	(45,897)
205,000	208,748	3,748	0	0	0	205,000	208,748	3,748
0	0	0	0	0	0	5,650	5,760	110
0	0	0	0	0	0	4,587	4,587	0
0	0	0	0	0	0	56,338	36,804	(19,534)
0	0	0	1,555	1,555	0	7,560	7,560	0
0	0	0	308	308	0	2,896	2,886	(10)
428,950	432,698	3,748	1,863	1,863	0	4,305,667	4,244,084	(61,583)
18,750	0	18,750	0	0	0	491,477	456,446	35,031
314,520	120,276	194,244	0	0	0	2,346,807	2,085,163	261,644
1,619	1,619	0	0	0	0	57,270	42,836	14,434
0	0	0	0	0	0	344,136	305,353	38,783
0	0	0	0	0	0	157,125	140,674	16,451
0	0	0	0	0	0	47,314	31,556	15,758
0	0	0	0	0	0	290,417	277,899	12,518
12,931	7,838	5,093	0	0	0	241,784	231,018	10,766
0	0	0	0	0	0	100	0	100
12,384	11,845	539	0	0	0	471,935	432,587	39,348
0	0	0	0	0	0	19,064	15,644	3,420
0	0	0	0	0	0	43,654	37,916	5,738
2,150	1,854	296	0	0	0	6,272	5,949	323
0	0	0	2,897	2,150	747	2,897	2,150	747
296,609	64,402	232,207	0	0	0	337,459	96,706	240,753
50,000	50,000	0	0	0	0	50,000	50,000	0
5,450	5,450	0	0	0	0	8,950	7,950	1,000
130,166	130,166	0	0	0	0	153,518	153,518	0
844,579	393,450	451,129	2,897	2,150	747	5,070,179	4,373,365	696,814
(415,629)	39,248	454,877	(1,034)	(287)	747	(764,512)	(129,281)	(758,397)
0	0	0	0	0	0	1,740	1,840	100
0	0	0	0	0	0	7,453	7,453	0
0	0	0	0	0	0	(2,742)	0	2,742
0	0	0	0	0	0	130,780	146,500	15,720
0	0	0	0	0	0	(139,500)	(128,332)	11,168
0	0	0	0	0	0	51,641	51,641	0
0	0	0	0	0	0	42,846	42,846	0
0	0	0	0	0	0	(125,000)	(103,699)	21,301
0	0	0	0	0	0	(32,782)	18,249	51,031
(415,629)	39,248	454,877	(1,034)	(287)	747	(797,294)	(111,032)	686,262
1,093,255	1,093,255	0	2,586	2,586	0	2,453,467	2,453,467	0
36,957	36,957	0	0	0	0	226,632	226,632	0
\$714,583	\$1,169,460	\$454,877	\$1,552	\$2,299	\$747	\$1,882,805	\$2,569,067	\$686,262

Southern Hills Joint Vocational School  
Brown County

Combined Statement of Revenues, Expenses and  
Changes in Retained Earnings  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Operating Revenues:</u></b>			
Tuition	\$34,343	\$0	\$34,343
Sales	84,580	0	84,580
Charges for Services	92,041	0	92,041
Other	0	386	386
Total Operating Revenues	210,964	386	211,350
<b><u>Operating Expenses:</u></b>			
Salaries	180,461	0	180,461
Fringe Benefits	59,650	0	59,650
Purchased Services	3,012	386	3,398
Materials and Supplies	121,945	0	121,945
Cost of Sales	28,216	0	28,216
Depreciation	3,760	0	3,760
Other	50	0	50
Total Operating Expenses	397,094	386	397,480
Operating Loss	(186,130)	0	(186,130)
<b><u>Non-Operating Revenues:</u></b>			
Federal Donated Commodities	8,190	0	8,190
Federal and State Subsidies	107,935	0	107,935
Interest	1,786	0	1,786
Total Non-Operating Revenues	117,911	0	117,911
Loss Before Operating Transfers	(68,219)	0	(68,219)
Operating Transfers-In	71,000	0	71,000
Operating Transfers-Out	(16,685)	0	(16,685)
Net Loss	(13,904)	0	(13,904)
Retained Earnings at Beginning of Year	550,431	0	550,431
Retained Earnings at End of Year	\$536,527	\$0	\$536,527

See accompanying notes to the financial statements

Southern Hills Joint Vocational School  
Brown County

Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 1999

	Enterprise Funds			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Tuition	\$47,930	\$50,583	\$2,653	\$0	\$0	\$0
Sales	83,632	83,632	0	0	0	0
Interest	1,548	1,786	238	0	0	0
Charges for Services	91,764	92,023	259	0	0	0
Refund of Prior Year Expense	252	252	0	386	386	0
Federal and State Subsidies	113,658	107,935	(5,723)	0	0	0
Other	724	724	0	0	0	0
<b>Total Revenues</b>	<b>339,508</b>	<b>336,935</b>	<b>(2,573)</b>	<b>386</b>	<b>386</b>	<b>0</b>
<b><u>Expenses:</u></b>						
Salaries	208,553	169,435	39,118	0	0	0
Fringe Benefits	72,739	60,193	12,546	0	0	0
Purchased Services	16,824	3,762	13,062	386	386	0
Materials and Supplies	194,882	144,179	50,703	0	0	0
Capital Outlay	4,682	4,356	326	0	0	0
Other	80	43	37	0	0	0
<b>Total Expenses</b>	<b>497,760</b>	<b>381,968</b>	<b>115,792</b>	<b>386</b>	<b>386</b>	<b>0</b>
Excess of Revenues Over (Under) Expenses before Transfers and Advances	(158,252)	(45,033)	113,219	0	0	0
Operating Transfers In	71,000	71,000	0	0	0	0
Operating Transfers Out	(20,685)	(16,685)	4,000	0	0	0
Advances In	1,525	1,525	0	0	0	0
Advances Out	(20,000)	(20,000)	0	0	0	0
Excess of Revenues Over (Under) Expenses, Transfers and Advances	(126,412)	(9,193)	117,219	0	0	0
Fund Equity at Beginning of Year	551,558	551,558	0	0	0	0
Prior Year Encumbrances Appropriated	3,710	3,710	0	0	0	0
<b>Fund Equity at End of Year</b>	<b>\$428,856</b>	<b>\$546,075</b>	<b>\$117,219</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

See accompanying notes to the financial statements

Southern Hills Joint Vocation School  
Brown County

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

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<i><u>Increase (Decrease) in Cash and Cash Equivalents:</u></i>			
<i><u>Cash Flows from Operating Activities:</u></i>			
Cash Received from Customers	\$176,379	\$0	\$176,379
Cash Received from Tuition Payments	50,583	0	50,583
Cash Received from Other Operating Sources	252	386	638
Cash Payments to Suppliers for Goods and Services	(141,856)	(386)	(142,242)
Cash Payments to Employees for Services	(169,435)	0	(169,435)
Cash Payments for Employee Benefits	(60,193)	0	(60,193)
Cash Payments for Other Operating Uses	(43)	0	(43)
<i>Net Cash Used for Operating Activities</i>	<u>(144,313)</u>	<u>0</u>	<u>(144,313)</u>
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>			
Operating Grants Received	107,935	0	107,935
Short Term Loans from Other Funds	1,525	0	1,525
Repayment of Short Term Loans	(20,000)	0	(20,000)
Operating Transfers In	71,000	0	71,000
Operating Transfers Out	(16,685)	0	(16,685)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>143,775</u>	<u>0</u>	<u>143,775</u>
<i><u>Cash Flows from Capital and Related Financing Activities:</u></i>			
Payments for Capital Acquisitions	(5,248)	0	(5,248)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(5,248)</u>	<u>0</u>	<u>(5,248)</u>
<i><u>Cash Flows from Investing Activities:</u></i>			
Interest on Investments	1,786	0	1,786
<i>Net Cash Provided by Investing Activities</i>	<u>1,786</u>	<u>0</u>	<u>1,786</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(4,000)	0	(4,000)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>555,267</u>	<u>0</u>	<u>555,267</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$551,267</u>	<u>\$0</u>	<u>\$551,267</u>

(continued)

Southern Hills Joint Vocation School  
Brown County

Combined Statement of Cash Flows  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 1999  
(Continued)

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<i><u>Reconciliation of Operating Loss to Net</u></i>			
<i><u>Cash Used for Operating Activities:</u></i>			
Operating Loss	(\$186,130)	\$0	(\$186,130)
<i><u>Adjustments to Reconcile Operating</u></i>			
<i><u>Loss to Net Cash Used for Operating Activities:</u></i>			
Depreciation	3,760	0	3,760
Donated Commodities Used During Year	8,190	0	8,190
<i><u>Changes in Assets and Liabilities:</u></i>			
Increase in Accounts Receivable	(2,780)	0	(2,780)
Decrease in Ingovernmental Receivable	19,031	0	19,031
Decrease in Inventory Held for Resale	18	0	18
Decrease in Materials and Supplies Inventory	1,473	0	1,473
Increase in Accounts Payable	1,643	0	1,643
Decrease in Accrued Wages and Benefits	375	0	375
Increase in Compensated Absences	11,759	0	11,759
Decrease in Intergovernmental Payable	(1,652)	0	(1,652)
<i>Total Adjustments</i>	41,817	0	41,817
<i>Net Cash Used for Operating Activities</i>	(\$144,313)	\$0	(\$144,313)

See accompanying notes to the financial statements

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Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Southern Hills Joint Vocational School District (the “School District”) is a distinct political subdivision of the State of Ohio operated under the direction of a Board comprised of five representatives; three appointed by the Brown County Educational Service Center, one appointed by the Georgetown Exempted Village School District, and one appointed by the Bright Local School District. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1970 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 634 square miles. It is located in Brown County and includes all of Brown County and Bright Local School District in Highland County. It is staffed by 17 non-certificated and 45 certificated teaching personnel and administrative employees providing education to 575 secondary students and 338 adult students.

**Reporting Entity**

The reporting entity consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Southern Hills Joint Vocational School, this includes general operations, food service, continuing education and student related activities of 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. The School District has no component units.

The School District is associated with three organizations, one jointly governed organization, one insurance purchasing pool, and one public entity risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Brown County Schools Benefits Consortium. These organizations are presented in Notes 16, 17 and 18 to the general purpose financial statements.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Southern Hills Joint Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental Fund Types:**

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

The following are the School District's governmental fund types:

**General Fund** - The general fund is the operating fund of the School District and is used to account 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.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

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

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

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. For the School District these include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 a general nature, the following account groups are used:

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., 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 operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have contributed capital. Proprietary funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, grants, investment earnings, tuition, student fees and charges for services.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

The School District reports deferred revenues 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. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$6,538 to the general fund from the student activities agency fund. Also, advances-in and advances-out do not equal on a budgetary basis by \$307 due to an advance from the general fund to the student activities agency fund.

**Tax Budget:**

Prior to January 15, 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

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

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 Brown County Budget Commission for rate determination.

Estimated Resources:

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 School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School 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. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear 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.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal 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 are not reappropriated.

**D. 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 combined balance sheet.

During fiscal year 1999 investments were limited to nonnegotiable certificates of deposit, repurchase agreements, federal agency securities and STAR Ohio.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. 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, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue is credited to the capital projects funds to be used for future equipment purchases. Interest revenue credited to the capital projects fund during fiscal year 1999 amounted to \$190,354, which includes \$130,312 assigned from other School District funds. The enterprise fund also received interest revenue of \$1,786.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

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

**E. Inventory**

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. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, non-food supplies, and school supplies held for resale and expensed when used.

**F. Prepaid Items**

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

**G. Fixed Assets and Depreciation**

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 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 School District maintains a capitalization threshold of five hundred dollars.

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. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten to twenty years. The School District does not have any infrastructure.



Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Career Development  
Education Management Information Systems  
Public School Preschool  
Title VI  
Vocational Education Planning District  
Work and Family Life Grant  
Single Parent  
Adult Basic Literacy Education  
Vocational Education Equipment  
Professional Development  
School to Work  
Wellness Block Grant  
Excellence in Education

Reimbursable Grants

General Fund

Driver Education  
Applied Biology and Chemistry

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

Grants and entitlements received in governmental funds amounted to 55 percent of governmental fund revenue during the 1999 fiscal year.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”.

**J. 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 School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from the governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have used current financial resources.

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

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**O. 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.

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (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 cash flows in conformity with generally

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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

accepted accounting principles. 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**

**A. Accountability**

Fund balances at June 30, 1999, included the following individual fund deficits:

**Special Revenue Funds**

Career Development	\$7,378
Professional Development Block Grant	3
Vocational Education	7,939

The deficits in the career development, professional development block grant and vocational education special revenue funds are due to adjustments for accrued liabilities, and the timing of grant awards. The general fund is liable for these deficits and provides operating transfers when cash is required, not when accruals occur.

**B. Compliance**

The District did not certify the availability of funds for certain commitments as required by Ohio law.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis)-All Proprietary Fund Types are presented 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$82,600	(\$10,560)	\$102,845	(\$287)
Adjustments:				
Revenue Accruals	(73,264)	(15,407)	13,321	0
Expenditure Accruals	(13,954)	1,136	0	0
Transfers	(6,538)	0	0	0
Advances	1,668	16,500	0	0
Encumbrances	(126,420)	(5,754)	(76,918)	0
Budget Basis	(\$135,908)	(\$14,085)	\$39,248	(\$287)

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

	<u>Enterprise</u>
Net Loss/Excess of Revenues Under Expenses, Transfers and Advances All Proprietary Fund Types	
GAAP Basis	(\$13,904)
Adjustments:	
Revenue Accruals	16,250
Expense Accruals	3,120
Capital Outlay	5,248
Depreciation Expense	3,760
Advances	(18,475)
Encumbrances	<u>(5,192)</u>
Budget Basis	<u><u>(\$9,193)</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demand 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 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.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

Protection of the 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 may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal 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. Bond 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) 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 (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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, 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

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

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 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.

***Cash on Hand*** At year end, the School District had \$500 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."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

***Deposits*** At fiscal year end the carrying amount of the School District's deposits was \$1,284,439 and the bank balance was \$1,443,247. Of the bank balance \$523,526 was covered by federal depository insurance and \$919,721 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

***Investments*** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.



Southern Hills Joint Vocational School District  
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Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

	<u>Category 1</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreement	\$0	\$624,137	\$624,137	\$624,208
STAR Ohio	0	0	586,331	586,331
Federal Home Loan Mortgage Corporation Bonds	644,908	0	644,908	644,908
Federal Home Loan Bank Bonds	194,188	0	194,188	194,188
Total	<u>\$839,096</u>	<u>\$624,137</u>	<u>\$2,049,564</u>	<u>\$2,049,635</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$3,334,503	\$0
Cash on Hand	(500)	0
Investments:		
Repurchase Agreement	(624,137)	624,137
STAR Ohio	(586,331)	586,331
Federal Home Loan Mortgage Corporation Bonds	(644,908)	644,908
Federal Home Loan Bank Bonds	(194,188)	194,188
GASB Statement No. 3	<u>\$1,284,439</u>	<u>\$2,049,564</u>

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 6 - 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 located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

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

The assessed values upon which the fiscal year 1999 taxes were collected are:

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 6 - PROPERTY TAXES** (Continued)

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$308,628,816	83.17%	\$374,019,750	82.52%
Public Utility	133,880	0.04%	160,420	0.04%
Tangible Personal Property	<u>62,310,840</u>	<u>16.79%</u>	<u>79,047,039</u>	<u>17.44%</u>
Total Assessed Value	<u>\$371,073,536</u>	<u>100.00%</u>	<u>\$453,227,209</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$5.80		\$5.80	

The School District receives property taxes from Adams, Brown and Highland Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Southern Hills Joint Vocational School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$234,639 for the general fund and \$20,177 for the permanent improvement capital projects fund. All amounts are recognized as revenue in their respective funds.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts, interest, 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 year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

A summary of the principal items of intergovernmental receivables follows:

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 7 - RECEIVABLES** (Continued)

	<u>Amounts</u>
<u>General Fund</u>	
Drivers Education	\$300
Proficiency Testing	2,211
Excess Costs	23,846
Total General Fund	<u>26,357</u>
<u>Special Revenue Funds:</u>	
Carl Perkins	18,708
Adult Basic Education	14,972
Career Development	5,190
Total Special Revenue Funds	<u>38,870</u>
Total Intergovernmental Receivables	<u><u>\$65,227</u></u>

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$155,629
Less: Accumulated Depreciation	(139,539)
Net Fixed Assets	<u><u>\$16,090</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 8 - FIXED ASSETS** (Continued)

Asset Category	Balance at July 01, 1998	Additions	Deletions	Balance at June 30, 1999
Land	\$385,630	\$22,200	\$0	\$407,830
Buildings and Improvements	4,917,712	26,179	0	4,943,891
Furniture, Fixtures and Equipment	2,411,852	302,247	120,035	2,594,064
Vehicles	167,670	0	0	167,670
Totals	<u>\$7,882,864</u>	<u>\$350,626</u>	<u>\$120,035</u>	<u>\$8,113,455</u>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance Company for general liability insurance with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by Indiana Insurance and holds a \$1,000 deductible.

The School District's vehicles are covered by the Auto-Owners Insurance Company and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Vehicles are also covered under the commercial umbrella policy.

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a group purchasing pool (Note 17). 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.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 9 - RISK MANAGEMENT** (Continued)

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk pool (Note 18) consisting of seven districts. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions and all claims of its employees from the date of termination, regardless of the date such claims were incurred.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$34,473, \$33,707 and \$42,037, respectively, equal to the actual contributions for each fiscal year.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (Continued)

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$118,012, \$190,026 and \$204,123, respectively, equal to the actual contributions for each fiscal year.

**NOTE 11 - 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored 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. Most benefit recipients pay a portion of the 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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$157,350 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (Continued)

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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$30,766.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each year under contract. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 50 days for all personnel.

**B. Other Employee Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. Dental insurance is provided by the School District to all employees through CoreSource, Inc.



Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 1999 were as follows:

	Principal Outstanding 7/01/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation Note 2/25/97 5.45%	\$200,000	\$0	\$200,000	\$0
Intergovernmental Payable (Pension Obligation)	2,379	1,027	2,379	1,027
Compensated Absences	150,772	1,717	0	152,489
<b>Total General Long-Term Obligations</b>	<b>\$353,151</b>	<b>\$2,744</b>	<b>\$202,379</b>	<b>\$153,516</b>

*Energy Conservation Note/In-substance Debt Defeasance*

The School District issued an energy conservation note of \$250,000 on February 25, 1997 and \$200,000 remained outstanding at July 1, 1998. The proceeds were used to upgrade the current operating systems within the District. On December 1, 1998, the School District made a principal payment of \$50,000. On December 28, 1998 the School District deposited \$153,518 in an irrevocable trust in order to defease the remaining principal of \$150,000. Cash transfers into the irrevocable trust were from the general fund and permanent improvement capital projects fund. The monies in the irrevocable trust are invested in federal securities in order to provide for all future debt service payments. As a result, the liability for these notes has been removed from the general long term obligations account group.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$40,790,499 with an unvoted debt margin of \$453,227 at June 30, 1999.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 14 - INTERFUND ACTIVITY**

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

Fund Type/Fund	Interfund Receivables	Interfund Payables
<u>General Fund</u>	\$67,832	\$0
<u>Special Revenue Funds:</u>		
Other Grant	0	1,000
Career Development	0	10,000
Adult Basic Education	0	10,000
Vocational Education Basic Grant	0	25,000
School To Work Grant	0	10,000
Total Special Revenue Funds	0	56,000
<u>Enterprise Fund:</u>		
Customer Services	0	11,525
<u>Agency Fund:</u>		
Student Managed Activity	0	307
Total All Funds	\$67,832	\$67,832

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, customer services and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Southern Hills Joint Vocational School as of and for the fiscal year ended June 30, 1999.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS** (Continued)

	Food Service	Uniform School Supplies	Customer Services	Adult Education	Total Enterprise Funds
Operating Revenues	\$62,596	\$21,260	\$92,765	\$34,343	\$210,964
Depreciation Expense	2,624	0	0	1,136	3,760
Operating Income (Loss)	(63,620)	9,484	11,837	(143,831)	(186,130)
Donated Commodities	8,190	0	0	0	8,190
Federal and State Subsidies	13,530	0	0	94,405	107,935
Operating Transfers	51,000	0	(16,685)	20,000	54,315
Net Income (Loss)	10,885	9,484	(4,847)	(29,426)	(13,904)
Fixed Asset Additions	3,356	0	0	1,892	5,248
Net Working Capital	143,241	83,273	57,800	247,999	532,313
Total Assets	163,945	83,273	69,325	260,872	577,415
Total Equity	154,196	83,273	57,800	241,258	536,527
Encumbrances	0	0	(583)	(4,609)	(5,192)

**NOTE 16 - JOINTLY GOVERNED ORGANIZATION**

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$6,207 for service provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 17 - INSURANCE PURCHASING POOL**

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 OSBA. 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.

**NOTE 18 - PUBLIC ENTITY RISK POOL**

The Brown County Schools Benefits Consortium, a public entity shared risk pool currently operates to provide health insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern Brown, Fayetteville, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the consortium are to formulate and administer a program of health insurance for the benefit of the consortium members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The School District pays premiums based on what the consortium estimates will cover the costs of all claims for which the consortium is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The consortium views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**NOTE 19 - STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,516,365 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

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**NOTE 19 - STATE SCHOOL FUNDING DECISION** (Continued)

been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

**NOTE 20 - CONTINGENCIES**

**Grants:**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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, 1999.

**Litigation:**

There are currently no matters in litigation with the School District as defendant.

**NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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 the 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 School District is also required to set aside money for budget stabilization.

Southern Hills Joint Vocational School District  
Brown County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)

**NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (Continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$20,297	\$20,297
Current Year Set-aside Requirement	56,550	56,550	28,814	141,914
Current Year Offsets	0	0	0	0
Qualifying Disbursements	86,729	75,042	0	161,771
Total	<u>(\$30,179)</u>	<u>(\$18,492)</u>	<u>\$49,111</u>	<u>440</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$49,111</u>	<u>\$49,111</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.



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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Southern Hills Joint Vocational School District  
Brown County  
9193 Hamer Road  
Georgetown, Ohio 45121

To the Board of Education:

We have audited the accompanying financial statements of Southern Hills Joint Vocational School District, Brown County, Ohio (the District), as of and for the fiscal years ended June 30, 2000 and June 30, 1999, and have issued our report thereon dated January 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10408-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 9, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 9, 2001.

Southern Hills Joint Vocational School District  
Brown County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

January 9, 2001



**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2000 AND 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2000-10408-001**

**Noncompliance Citation - Prior Certification of Funds**

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.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

The District did not certify the availability of funds before making expenditures in 20% of the transactions tested.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

**BROWN 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  
JANUARY 18, 2001**