

Pickaway-Ross Joint Vocational School District

Ross County

Single Audit

July 1 , 2001 Through June 30, 2002

Fiscal Year Audited Under GAGAS: 2002

**BALESTRA & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

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**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Board of Education  
Pickaway-Ross Joint Vocational School District  
859 Crouse Chapel Road  
Chillicothe, Ohio 45601

We have reviewed the Independent Auditor's Report of the Pickaway-Ross Joint Vocational School District, Ross County, prepared by Balestra & Company, for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Pickaway-Ross Joint Vocational School District is responsible for compliance with these laws and regulations.

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

JIM PETRO  
Auditor of State

November 5, 2002

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PICKAWAY-ROSS JOINT VOCATIONAL SCHOOL DISTRICT  
ROSS COUNTY

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# BALESTRA & COMPANY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Members of the Board

Pickaway-Ross Joint Vocational School District

895 Crouse Chapel Road

Chillicothe, Ohio 45601

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2002, on our consideration of the District's internal control over financial reporting and on 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.

The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Balestra & Company*

Balestra & Company

September 30, 2002

**PICKAWAY-ROSS JOINT VOCATIONAL SCHOOL DISTRICT**

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	<b>GOVERNMENTAL FUND TYPES</b>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$3,710,558	\$403,856	\$0	\$13,283
Receivables:				
Taxes	3,519,981	0	183,463	0
Accounts	0	179,918	0	0
Intergovernmental	0	181,499	0	0
Accrued Interest	10,771	0	0	0
Interfund	715,026	0	0	0
Prepaid Items	5,707	0	0	0
Materials and Supplies Inventory	23,135	4,219	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$7,985,178</u>	<u>\$769,492</u>	<u>\$183,463</u>	<u>\$13,283</u>

See accompanying notes to the general-purpose financial statements.



<i><b>PROPRIETARY FUND TYPE</b></i>	<i><b>FIDUCIARY FUND TYPES</b></i>	<i><b>ACCOUNT GROUPS</b></i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Internal Service	Trust and Agency			
\$14,490	\$26,938	\$0	\$0	\$4,169,125
0	0	0	0	3,703,444
0	15	0	0	179,933
0	0	0	0	181,499
0	0	0	0	10,771
0	0	0	0	715,026
0	0	0	0	5,707
0	0	0	0	27,354
0	0	2,546,862	0	2,546,862
0	0	0	1,660,304	1,660,304
----- \$14,490	----- \$26,953	----- \$2,546,862	----- \$1,660,304	----- \$13,200,025
=====	=====	=====	=====	=====

(continued)

**PICKAWAY-ROSS JOINT VOCATIONAL SCHOOL DISTRICT**

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	<b><u>GOVERNMENTAL FUND TYPES</u></b>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
<b><i>Liabilities,</i></b>				
<b><i>Fund Equity and Other Credits:</i></b>				
<b><i>Liabilities:</i></b>				
Accounts Payable	\$39,770	\$41,878	\$0	\$938
Accrued Wages and Benefits	1,023,009	86,821	0	0
Compensated Absences Payable	38,813	0	0	0
Interfund Payable	0	698,095	0	0
Intergovernmental Payable	141,955	27,180	0	0
Deferred Revenue	3,314,054	293	183,463	0
Undistributed Assets	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
	-----	-----	-----	-----
Total Liabilities	4,557,601	854,267	183,463	938
	-----	-----	-----	-----
<b><i>Fund Equity and Other Credits:</i></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	81,172	385,791	0	3,645
Reserved for Inventory	23,135	4,219	0	0
Reserved for Property Taxes	205,927	0	0	0
Unreserved:				
Undesignated (Deficit)	3,117,343	(474,785)	0	8,700
	-----	-----	-----	-----
Total Fund Equity (Deficit) and Other Credits	3,427,577	(84,775)	0	12,345
	-----	-----	-----	-----
Total Liabilities, Fund Equity and Other Credits	\$7,985,178	\$769,492	\$183,463	\$13,283
	=====	=====	=====	=====

See accompanying notes to the general-purpose financial statements.

<i><b>PROPRIETARY FUND TYPE</b></i>	<i><b>FIDUCIARY FUND TYPES</b></i>	<i><b>ACCOUNT GROUPS</b></i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Internal Service	Trust and Agency			
\$0	\$0	\$0	\$0	\$82,586
0	0	0	0	1,109,830
0	0	0	918,787	957,600
3,501	13,430	0	0	715,026
223,446	0	0	15,691	408,272
0	0	0	0	3,497,810
0	26,953	0	0	26,953
371,096	0	0	0	371,096
0	0	0	230,826	230,826
0	0	0	495,000	495,000
-----	-----	-----	-----	-----
598,043	40,383	0	1,660,304	7,894,999
-----	-----	-----	-----	-----
0	0	2,546,862	0	2,546,862
(583,553)	0	0	0	(583,553)
0		0	0	470,608
0	0	0	0	27,354
0	0	0	0	205,927
0	(13,430)	0	0	2,637,828
-----	-----	-----	-----	-----
(583,553)	(13,430)	2,546,862	0	5,305,026
-----	-----	-----	-----	-----
\$14,490	\$26,953	\$2,546,862	\$1,660,304	\$13,200,025
=====	=====	=====	=====	=====

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**PICKAWAY-ROSS JOINT VOCATIONAL SCHOOL DISTRICT**

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, 2002

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Project		Expendable Trust
<b><u>Revenues:</u></b>						
Property Taxes	\$3,343,251	\$0	\$181,800	\$0	\$0	\$3,525,051
Intergovernmental	8,984,658	2,344,447	0	8,700	0	11,337,805
Interest	145,407	550	0	0	0	145,957
Tuition and Fees	84,835	643,794	0	0	0	728,629
Rent	5,268	0	0	0	0	5,268
Gifts and Donations	1,362	0	0	0	0	1,362
Customer Services	30,927	854,570	0	0	0	885,497
Miscellaneous	42,205	957	0	0	0	43,162
<b>Total Revenues</b>	<b>12,637,913</b>	<b>3,844,318</b>	<b>181,800</b>	<b>8,700</b>	<b>0</b>	<b>16,672,731</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	629,921	0	0	0	0	629,921
Special	2,992	0	0	0	0	2,992
Vocational	8,529,053	1,839,612	0	9,084	0	10,377,749
Adult/Continuing	0	123,467	0	0	0	123,467
Support Services:						
Pupils	542,378	990,618	0	0	0	1,532,996
Instructional Staff	827,991	326,394	0	0	0	1,154,385
Board of Education	56,432	0	0	0	0	56,432
Administration	305,633	22,569	0	0	0	328,202
Fiscal	344,905	199	0	0	0	345,104
Business	6,602	0	0	0	0	6,602
Operation and Maintenance of Plant	766,538	0	0	0	0	766,538
Pupil Transportation	0	43,316	0	0	0	43,316
Central	35,716	79,198	0	0	0	114,914
Operation of Non-Instructional Services						
Services	0	599,736	0	0	15,890	615,626
Extracurricular Activities	1,150	0	0	0	0	1,150
Capital Outlay	163,468	0	0	0	0	163,468
Debt Service:						
Principal Retirement	73,837	0	145,000	0	0	218,837
Interest and Fiscal Charges	8,870	0	36,800	0	0	45,670
<b>Total Expenditures</b>	<b>12,295,486</b>	<b>4,025,109</b>	<b>181,800</b>	<b>9,084</b>	<b>15,890</b>	<b>16,527,369</b>
Excess of Revenues Over (Under) Expenditures	342,427	(180,791)	0	(384)	(15,890)	145,362
<b><u>Other Financing Sources (Uses):</u></b>						
Inception of Capital Lease	163,468	0	0	0	0	163,468
Operating Transfers - In	0	42,742	0	0	14,461	57,203
Operating Transfers - Out	(1,037,243)	0	0	0	0	(1,037,243)
<b>Total Other Financing Sources (Uses)</b>	<b>(873,775)</b>	<b>42,742</b>	<b>0</b>	<b>0</b>	<b>14,461</b>	<b>(816,572)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(531,348)	(138,049)	0	(384)	(1,429)	(671,210)
Fund Balances (Deficit) at Beginning of Year (Restated See Note 21)	3,956,546	55,594	0	12,729	(12,001)	4,012,868
Increase (Decrease) in Reserve for Inventory	2,379	(2,320)	0	0	0	59
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$3,427,577</b>	<b>(\$84,775)</b>	<b>\$0</b>	<b>\$12,345</b>	<b>(\$13,430)</b>	<b>\$3,341,717</b>

See accompanying notes to the general-purpose financial statements.

**PICKAWAY-ROSS JOINT VOCATIONAL SCHOOL DISTRICT**  
 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, 2002

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$3,298,109	\$3,298,109	\$0	\$0	\$0	\$0
Intergovernmental	8,984,658	8,984,658	0	2,299,770	2,299,770	0
Interest	196,617	196,617	0	0	0	0
Tuition and Fees	84,835	84,835	0	583,692	583,692	0
Rent	5,268	5,268	0	0	0	0
Gifts and Donations	1,362	1,362	0	0	0	0
Customer Services	30,927	30,927	0	854,570	854,570	0
Miscellaneous	37,954	37,954	0	0	0	0
<i>Total Revenues</i>	<u>12,639,730</u>	<u>12,639,730</u>	<u>0</u>	<u>3,738,032</u>	<u>3,738,032</u>	<u>0</u>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	609,775	609,775	0	0	0	0
Special	3,095	3,095	0	0	0	0
Vocational	8,423,332	8,423,332	0	1,935,974	1,935,974	0
Adult/Continuing	0	0	0	140,047	140,047	0
Support Services:						
Pupils	551,949	551,949	0	1,092,769	1,092,769	0
Instructional Staff	829,067	829,067	0	381,204	381,204	0
Board of Education	49,271	49,271	0	0	0	0
Administration	314,819	314,819	0	112,137	112,137	0
Fiscal	350,373	350,373	0	8,416	8,416	0
Business	9,746	9,746	0	0	0	0
Operation and Maintenance of Plant	860,253	860,253	0	6,800	6,800	0
Pupil Transportation	0	0	0	66,933	66,933	0
Central	36,937	36,937	0	79,541	79,541	0
Operation of Non-Instructional Services						
Services	0	0	0	598,941	598,941	0
Extracurricular Activities	1,376	1,376	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<i>Total Expenditures</i>	<u>12,039,993</u>	<u>12,039,993</u>	<u>0</u>	<u>4,422,762</u>	<u>4,422,762</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>599,737</u>	<u>599,737</u>	<u>0</u>	<u>(684,730)</u>	<u>(684,730)</u>	<u>0</u>
<b><u>Other Financing Sources (Uses):</u></b>						
Advances - In	746,007	746,007	0	698,094	698,094	0
Advances - Out	0	(715,024)	(715,024)	0	(323,120)	(323,120)
Operating Transfers - In	0	0	0	42,742	42,742	0
Operating Transfers - Out	(1,037,243)	(1,037,243)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(291,236)</u>	<u>(1,006,260)</u>	<u>(715,024)</u>	<u>740,836</u>	<u>417,716</u>	<u>(323,120)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>308,501</u>	<u>(406,523)</u>	<u>(715,024)</u>	<u>56,106</u>	<u>(267,014)</u>	<u>(323,120)</u>
Fund Balances at Beginning of Year	4,113,053	4,113,053	0	10,412	10,412	0
Prior Year Encumbrances Appropriated	113,221	113,221	0	265,079	265,079	0
<b>Fund Balances at End of Year</b>	<u><u>\$4,534,775</u></u>	<u><u>\$3,819,751</u></u>	<u><u>(\$715,024)</u></u>	<u><u>\$331,597</u></u>	<u><u>\$8,477</u></u>	<u><u>(\$323,120)</u></u>

See accompanying notes to the general-purpose financial statements.

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECT FUND</i>			<i>EXPENDABLE TRUST FUND</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$181,800	\$181,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	17,929	17,929	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
181,800	181,800	0	17,929	17,929	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	12,729	12,729	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	15,891	15,891	0
0	0	0	0	0	0	0	0	0
145,000	145,000	0	0	0	0	0	0	0
36,800	36,800	0	0	0	0	0	0	0
181,800	181,800	0	12,729	12,729	0	15,891	15,891	0
0	0	0	5,200	5,200	0	(15,891)	(15,891)	0
0	0	0	0	0	0	13,430	13,430	0
0	0	0	0	(1,087)	(1,087)	0	(12,000)	(12,000)
0	0	0	0	0	0	14,461	14,461	0
0	0	0	0	0	0	0	0	0
0	0	0	0	(1,087)	(1,087)	27,891	15,891	(12,000)
0	0	0	5,200	4,113	(1,087)	12,000	0	(12,000)
0	0	0	0	0	0	0	0	0
0	0	0	4,587	4,587	0	0	0	0
\$0	\$0	\$0	\$9,787	\$8,700	(\$1,087)	\$12,000	\$0	(\$12,000)

**PICKAWAY-ROSS JOINT VOCATIONAL SCHOOL DISTRICT**

Statement of Revenues,  
Expenses and Changes in Retained Earnings  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2002

	<u>Internal Service</u>
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$1,212,924
	-----
<b><u>Operating Expenses:</u></b>	
Purchased Services	126,918
Claims	1,355,265
	-----
<i>Total Operating Expenses</i>	1,482,183
	-----
Operating Loss	(269,259)
<b><u>Non-Operating Revenues:</u></b>	
Transfers In	980,040
	-----
<i>Total Non-Operating Revenues</i>	980,040
	-----
Net Income	710,781
Retained Earnings (Deficit) at Beginning of Year (Restated See Note 21)	(1,294,334)
	-----
Retained Earnings (Deficit) at End of Year	(\$583,553)
	=====

See accompanying notes to the general-purpose financial statements.



**PICKAWAY-ROSS JOINT VOCATIONAL SCHOOL DISTRICT**

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, 2002

	Internal Service Fund		
	Revised Budget	Actual	Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Charges for Services	\$1,212,924	\$1,212,924	\$0
<b><u>Expenses:</u></b>			
Other	1,781,000	1,781,000	0
<i>Total Expenses</i>	1,781,000	1,781,000	0
Excess of Revenues Under Expenses	(568,076)	(568,076)	0
Transfers In	980,040	980,040	0
Advances - In	3,500	3,500	0
Advances - Out	0	(409,800)	(409,800)
Excess of Revenues Over (Under) Expenses and Advances	415,464	5,664	(409,800)
Fund Equity at Beginning of Year	6,248	6,248	0
Prior Year Encumbrances Appropriated	1,030	1,030	0
Fund Equity at End of Year	\$422,742	\$12,942	(\$409,800)

See accompanying notes to the general-purpose financial statements.

**PICKAWAY-ROSS JOINT VOCATIONAL SCHOOL DISTRICT**

Statement of Cash Flows

Proprietary Fund Type

For the Fiscal Year Ended June 30, 2002

	Internal Service
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Quasi-External Transactions with Other Funds	\$1,212,924
Cash Payments to Suppliers for Goods and Services	(\$356,028)
Cash Payments for Claims	(1,423,492)
	-----
Net Cash Used for Operating Activities	(566,596)
	-----
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Advances - In	3,500
Advances - Out	(409,800)
Operating Transfers In	980,040
	-----
Net Cash Provided by Noncapital Financing Activities	573,740
	-----
Net Increase in Cash and Cash Equivalents	7,144
Cash and Cash Equivalents at Beginning of Year	7,346
	-----
Cash and Cash Equivalents at End of Year	\$14,490
	=====
<b><i>Reconciliation of Operating Loss to Net</i></b>	
<b><u>Cash Used for Operating Activities:</u></b>	
Operating Loss	(\$269,259)
	-----
<b><i>Adjustments to Reconcile Operating Loss to</i></b>	
<b><u>Net Cash Used for Operating Activities:</u></b>	
Changes in Assets and Liabilities:	
(Decrease) in Intergovernmental Payable	(229,110)
(Decrease) in Claims Payable	(68,227)
	-----
Total Adjustments	(297,337)
	-----
Net Cash Used for Operating Activities	(\$566,596)
	=====

See accompanying notes to the general-purpose financial statements.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Pickaway-Ross Joint Vocational School District (the "School District") is a distinct political subdivision of the State of Ohio operated under the direction of a Board form of government consisting of eleven representatives from the various elected City and County School Boards within Pickaway and Ross Counties. The School District possesses its own budgeting and taxing authority. The School District exposes students to job training leading to employment upon graduation from high school.

The School District was established in 1970 through the cooperation of all school districts involved. The School District serves an area of approximately 1,090 square miles. It is located in Ross County, and includes the school districts within Ross and Pickaway Counties. It is staffed by 38 non-certificated employees, 140 certificated full-time teaching personnel and 11 administrative employees who provide services to 1,134 students and other community members. The School District currently operates 2 instructional buildings.

*Reporting Entity:*

The School District is a jointly governed organization, legally separate from other organizations. The Board of Education of the School District is not directly elected, although no other school district appoints a voting majority of the Board. None of the school districts that appoint Board members are financially accountable for the School District.

A reporting entity is comprised of the jointly governed organization, component units, and other organizations that are included to insure that the financial statements are not misleading. The jointly governed organization consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, 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 following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- < Ross-Pike Educational Service District
- < Cities of Chillicothe and Circleville
- < Participating Local/City School Districts
- < Pickaway ESC

The School District is associated with four organizations, two of which are defined as jointly governed organizations, one as a claims servicing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, Great Seal Education Network of Tomorrow, Ross County School Employees Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

The financial statements of the Pickaway-Ross Joint Vocational School District have been prepared in conformity with accounting principles generally accepted in United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

*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.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs

*Capital Projects Fund* - The capital projects fund is 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).

*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:

*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.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**A. Basis Of Presentation - Fund Accounting** (continued)

*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. The School District's fiduciary funds are 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:

*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. Proprietary fund type 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.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**B. Measurement Focus and Basis of Accounting** (continued)

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported 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 type. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred.

**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 fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the function and object level for all funds.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

*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 Ross 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 2002. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**C. Budgetary Process** (continued)

*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 expenditures, 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 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 by the Board of Education as a management control device during the year for all funds other than agency funds, at the fund level, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures and encumbrances for the fiscal year.

*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 balance sheet.

During fiscal year 2002, investments were limited to certificates of deposit, a repurchase agreement, and funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Investment earnings are allocated as authorized by the School District's investment policy. Interest revenue credited to the General Fund and Food Service, a Special Revenue Fund during fiscal year 2002 amounted to \$145,407 and \$550, respectively.

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

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**E. Inventory**

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food and purchased food held for resale. 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.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported 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. 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 one thousand dollars. The School District does not have any infrastructure.

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

Assets in the general fixed assets account group are depreciated using the straight-line method over an estimated useful life as follows:

<u>Asset Type</u>	<u>Useful Life</u>
Buildings	30 - 40 years
Improvements other than buildings	10 - 20 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	5 years

**H. Interfund Assets/Liabilities**

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

**I. 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 ten 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.



Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, 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 been paid with current available financial resources. Capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

**K. 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.

**L. 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 established for encumbrances, inventories of supplies and materials, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

**M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**N. 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 or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY**

At June 30, 2002, the Food Service, ECIA Chapter # 2, Vocational Education Perkins Grant, Adult Education, Special Revenue Funds, and the R. J. Pack Student Assistant Expendable Trust Fund had deficit fund balances of \$52,253, \$71, \$6,359, \$218,308, and \$13,430, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of accounting principles generally accepted in the United States of America (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 Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Internal Service Fund 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).
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 disclosure in the proprietary fund type (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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 Project	Expendable Trust
GAAP Basis	(\$531,348)	(\$138,049)	(\$384)	(\$1,429)
Revenue Accruals	(188,133)	(106,286)	9,229	0
Expenditure Accruals	385,333	(2,814)	938	0
Advances	30,983	374,974	(1,087)	1,429
Encumbrances	(103,358)	(394,839)	(4,583)	0
Budget Basis	<u>(\$406,523)</u>	<u>(\$267,014)</u>	<u>\$4,113</u>	<u>\$0</u>

There were no adjustments required for the Debt Service Fund as the budget basis and the GAAP basis remained the same.

	Net Loss/Excess of Revenues Over (Under) Expenses and Advances Internal Service Fund
GAAP Basis	\$710,781
Expense Accruals	(297,337)
Encumbrances	(1,480)
Advances	<u>(406,300)</u>
Budget Basis	<u>\$5,664</u>

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**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 demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the 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. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**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.

At fiscal year end, the School District had \$750 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 \$2,593,623 and the bank balance was \$3,643,096. Of the bank balance, \$113,582 was covered by federal depository insurance and \$3,529,514 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, is an unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair Value
Repurchase Agreement	\$634,627	\$634,627
STAR Ohio	0	940,125
Total Investments	\$634,627	\$1,574,752

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 classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$4,169,125	\$0
Cash on Hand	(750)	0
Investments:		
Repurchase Agreement	(634,627)	634,627
STAR Ohio	(940,125)	940,125
<i>GASB Statement No. 3</i>	\$2,593,623	\$1,574,752

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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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 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2001 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, 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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2001. 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 fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,157,657,880	73.38%	\$1,267,627,190	76.20%
Public Utility	134,707,450	8.54%	116,133,180	6.98%
Tangible Personal Property	285,314,882	18.08%	279,898,632	16.82%
Total Assessed Value	<u>\$1,577,680,212</u>	<u>100.00%</u>	<u>\$1,663,659,002</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$3.20		\$3.20	

The School District receives property taxes from Pickaway, Ross and Hocking Counties. The county auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2002, are available to finance fiscal year 2003 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, 2002. 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, 2002, was \$205,927 in the General Fund.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (billings for user charged services, tuition and student fees), 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 fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Fund Type/Fund Name	Amounts
Special Revenue Fund:	
ECIA Chapter 2	2,279
Vocational Ed. Perkins Grant	96,525
Adult Basic Education	15,412
State Grants	50,000
Post Secondary Vocational Education	13,615
Food Service	3,668
Total Intergovernmental Receivables	\$181,499

**NOTE 8 - FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$191,116	\$0	\$0	\$191,116
Buildings and Improvements	5,311,523	0	0	5,311,523
Furniture, Fixtures and Equipment	3,329,108	354,722	243,142	3,440,688
Vehicles	101,799	30,851	0	132,650
Totals	\$8,933,546	\$385,573	\$243,142	9,075,977
Accumulated Depreciation				(6,529,115)
Total General Fixed Assets				\$2,546,862

**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 2002, the School District contracted with Indiana Insurance for fleet, liability, and property insurance and boiler and machinery coverage.

Coverages provided by these companies are as follows:

Building and Contents (\$5,000 deductible)	\$16,811,985
Boiler and Machinery (\$5,000 deductible)	20,000,000
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$100 deductible)	1,000,000
Employee Benefits Liability (Aggregate)	500,000
General Liability (\$100 deductible)	
Per occurrence	2,000,000
Aggregate	5,000,000

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

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

For fiscal year 2002, 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.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of fourteen school districts within Ross and Pickaway Counties, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical claims liability of \$371,096 reported in the internal service fund at June 30, 2002 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2000	\$90,791	\$1,118,064	\$986,550	\$222,305
2001	222,305	1,461,439	1,244,421	439,323
2002	439,323	1,355,265	1,423,492	371,096

**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, or by calling (614)222-5853.

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. 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, 2002, 2001, and 2000 were \$59,136, \$197,642 and \$67,101 respectively.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**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, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3746, or by calling (614)222-5853.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 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, 2002, 2001, and 2000 were \$807,361, \$606,423 and \$498,802, respectively, equal to the required contributions for each year.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**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, 2002, and after, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$355,203 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3,256 million. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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, 2002, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The portion of employer contributions that were used to fund postemployment benefits was \$143,298.



Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 285 days for all personnel. Upon retirement, payment is made for one-fourth of the first 120 days of accrued, but unused sick leave credit, plus one-tenth of days 121 through 285, to a maximum of 46 and one-half days for all employees.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Guardian Life Insurance Company.

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

During previous fiscal years, the School District entered into capitalized leases for equipment and furniture and fixtures, and in fiscal year 2002, the School District entered into capitalized leases for copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment, furniture and fixtures and copiers have been capitalized in the general fixed assets account group in the amount of \$593,091. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$73,837 in the governmental funds.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE** (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	GLTDAG
2003	\$84,871
2004	60,887
2005	37,990
2006	37,990
2007	37,990
Total	259,728
Less: Amount Representing Interest	(28,902)
Present Value of Net Minimum Lease Payments	\$230,826

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
1994 Energy Conservation Loan - 5.75%	\$640,000	\$0	\$145,000	\$495,000
Capital Leases	141,195	163,468	73,837	230,826
Pension Obligation	10,853	15,691	10,853	15,691
Compensated Absences	648,797	269,990	0	918,787
Total General Long-Term Obligations	\$1,440,845	\$449,149	\$229,690	\$1,660,304

*Energy Conservation Loan* - On May 15, 1994, Pickaway-Ross Joint Vocational School District issued \$1,360,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2005. The loan will be retired from the debt service fund.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$149,234,310 with an energy conservation debt margin of \$14,972,931 and an unvoted debt margin of \$1,663,659 at June 30, 2002.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	155,000	28,463	183,463
2004	165,000	19,550	184,550
2005	175,000	10,063	185,063
Totals	<u>\$495,000</u>	<u>\$58,076</u>	<u>\$553,076</u>

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund	
	Receivables	Payables
General Fund	<u>\$715,026</u>	<u>\$0</u>
Special Revenue Funds:		
Food Service	0	52,500
Adult Education	0	277,500
Adult Basic Education	0	15,413
Public Preschool	0	154,368
Post Secondary Vocational Ed.	0	19,815
State Grants	0	76,235
Vocational Education	0	99,985
ECIA Chapter 2	<u>0</u>	<u>2,279</u>
Total Special Revenue Funds	<u>0</u>	<u>698,095</u>
Internal Service Fund:		
Self-Insurance	<u>0</u>	<u>3,501</u>
Expendable Trust Fund:		
R. J. Pack Student Assistance	<u>0</u>	<u>13,430</u>
Total All Funds	<u>\$715,026</u>	<u>\$715,026</u>

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

*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 Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, Jackson 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 school treasurers, and a representative for the fiscal agent. SCOCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid SCOCA \$68,711 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*Great Seal Education Network of Tomorrow* - The School District is a member of the Great Seal Education Network of Tomorrow (the "Council"). The Council is a regional council of governments consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

**NOTE 17 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS**

*Ross County School Employees Insurance Consortium* - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. Medical/surgical, dental, vision, or life insurance is administered through a third party administrator, Professional Risk Management Co., depending on which coverages the individual member district chooses. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Westfall Local School District, Scott Glandon who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - 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 - SET-ASIDE CALCULATIONS**

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 or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years.

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2002

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**NOTE 18 - SET-ASIDE CALCULATIONS** (continued)

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

	Textbooks	Capital Acquisitions	Totals
Set-aside Cash Balance as of June 30, 2001	\$0	\$0	\$0
Current year set-aside requirement	352,911	352,911	705,822
Prior Year Carryover	(33,835)	(143,657)	(177,492)
Qualifying disbursements	(409,972)	(527,795)	(937,767)
Set-aside Balance Carried Forward to Future Years	(\$90,896)	(\$318,541)	(\$409,437)
Set-aside Reserve Balance as of June 30, 2002	\$0	\$0	\$0

The School District had offset and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks and Capital Acquisition Reserves. These extra amounts may be carried forward and used to reduce the set-aside requirements of future years.

**NOTE 19 - SCHOOL FUNDING COURT DECISION**

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

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

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

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

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

Pickaway-Ross Joint Vocational School District  
Notes to the General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2002

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**NOTE 20 - CONTINGENCIES**

**A. 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, 2002.

**NOTE 21 - RESTATEMENT OF FUND BALANCE**

*Restatement of Fund Balance.* Accounting errors were noted in the General, Internal Service and General Fixed Asset Account Group Fund. This had the following effect on fund balance as they were previously reported as of June 30, 2001.

	Internal Service	General Fund	General Fixed Asset Account
Fund Balance at June 30, 2001	\$1,334,927	\$3,956,521	\$2,552,197
Restatement Amount	(40,593)	25	24,232
Adjusted Fund Balance at July 1, 2001	\$1,294,334	\$3,956,546	\$2,576,429

Pickaway-Ross Joint Vocational School District  
Ross County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2002

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	In-Kind Receipts	Disbursements	In-Kind Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program	NA	10.550	\$0	\$5,220	\$0	\$5,674
National School Lunch Program	051433 04-PU	10.555	36,007	0	36,007	0
<b>Total United States Department of Agriculture - Nutrition Cluster</b>			36,007	5,220	36,007	5,674
<b>United States Department of Education</b>						
<i>Direct from the Federal Agency</i>						
<i>Student Financial Aid Cluster</i>						
Guaranteed Student Loans	N	84.032	200,634		200,634	
Pell Grants	N	84.063	173,300		173,300	
Total Student Financial Aid Cluster			373,934		373,934	
<i>Passed through Ohio Department of Education</i>						
Title II	051433 MS-S1	84.281	2,633		6,126	
Aquaculture Tank Grant	051433-G2SP-2001	84.276	1,800		0	
<i>Passed through Columbus State Community College</i>						
VOCED Basic Grant						
524 9010	NA	84.048	0		670	
524 901N			0		481	
524 901M			0		1,000	
524 901L			0		1,919	
524 901K			0		765	
<i>Passed through Ohio Department of Education</i>						
VOCED Basic Grant						
524 900Q	051433 20-C2	84.048	50,081		3,063	
524 901R			11,584		0	
524 902R			55,882		79,831	
524 901Q			216,159		288,732	
413 9023			10,000		0	
413 9024			5,000		0	
Total VOCED Basic Grant			348,706		376,461	
<i>Passed through the State Bureau of Vocational Rehab</i>						
Special Education-Persons with Disabilities	NA	84.078	40,342		40,342	
<i>Passed through Ohio Department of Education</i>						
Adult and Community Education	NA	84.002	88,500		88,507	
Innovative Education Program Strategy	051433 C2-S1	84.298	4,868		6,428	
Comprehensive School Reform	051433 RF-S1	84.332	50,000		50,000	
<b>Total United States Department of Education</b>			910,783		941,798	
<b>United States Department of Health &amp; Human Services</b>						
<i>Passed through the Ohio Department of Education</i>						
Job Opportunity & Basic Skills Training	NA	93.561	0		21,308	
<b>Total United States Department of Health &amp; Human Services</b>			0		21,308	
<b>United States Department of Labor</b>						
<i>Passed through Ohio School to Work Region I</i>						
School to Work	NA	17.249	0		960	
<b>Total United States Department of Labor</b>			0		960	
<b>Total Federal Financial Assistance</b>			<u>\$946,790</u>	<u>\$5,220</u>	<u>\$1,000,073</u>	<u>\$5,674</u>

Legend:

NA = Not Available

N = Direct Assistance

See accompanying notes to the Schedule of Federal Awards Expenditures.

Pickaway-Ross Joint Vocational School District  
Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2002

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures includes the federal grant activity of the Pickaway-Ross Joint Vocational School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**NOTE B - FOOD DISTRIBUTIONS**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C - GUARANTEED STUDENT LOANS**

Non-monetary assistance is reported in the schedule at the dollar amount of the guaranteed student loans disbursed.



**BALESTRA & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the Board  
Pickaway-Ross Joint Vocational School District  
895 Crouse Chapel Road  
Chillicothe, Ohio 45601

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

**Compliance**

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

**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 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.

Members of the Board  
Pickaway-Ross Joint Vocational School District

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING  
STANDARDS*

Page 2

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Balestra & Company*

Balestra & Company  
September 30, 2002

# BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board  
Pickaway-Ross Joint Vocational School District  
895 Crouse Chapel Road  
Chillicothe, Ohio 45601

### **Compliance**

We have audited the compliance of Pickaway-Ross Joint Vocational School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Balestra & Company*

Balestra & Company  
September 30, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

PICKAWAY-ROSS JOINT VOCATIONAL SCHOOL DISTRICT  
ROSS COUNTY  
JUNE 30, 2002

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.032, CFDA #84.063 Student Financial Aid Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

PICKAWAY-ROSS JOINT VOCATIONAL SCHOOL DISTRICT  
ROSS COUNTY  
JUNE 30, 2002

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

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**PICKAWAY ROSS JOINT VOCATIONAL SCHOOL DISTRICT**

**ROSS 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  
NOVEMBER 26, 2002**