



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Governmental-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund	18
Statement of Net Assets – Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds.....	22
Statement of Fiduciary Assets and Liabilities Fiduciary Funds	23
Notes to the Basic Financial Statements	25
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	49

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

December 20, 2004

Medina County Joint Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

The discussion and analysis of the Medina County Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2004 are as follows:

- General Revenues in governmental activities accounted for \$13.3 million in revenue or 94% of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$.8 million or 6% of total revenues. The business-type activities had program specific revenues totaling \$1.4 million and general revenues of less than \$.1 million.
- Total program expenses were \$15 million. \$13.6 million was in governmental activities and \$1.4 million was in business-type activities.
- In total, net assets increased \$.7 million. Net assets of governmental activities increased \$.6 million, which represents a 7% increase from 2003. Net assets of business-type activities increased \$.1 million or 36% from 2003.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Medina County Joint Vocational School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

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

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

The government wide-financial statements begin on page 11.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

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

The governmental fund financial statements begin on page 14.

Medina County Joint Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

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

The proprietary fund financial statements begin on page 20.

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

The fiduciary fund financial statements begin on page 23.

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

Medina County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$ 9,828,353	\$ 9,631,914	\$ 399,992	\$ 256,617	\$ 10,228,345	\$ 9,888,531
Capital Assets	7,169,126	6,894,422	157,409	172,499	7,326,535	7,066,921
Total Assets	16,997,479	16,526,336	557,401	429,116	17,554,880	16,955,452
Liabilities						
Long-Term Liabilities	(1,363,608)	(1,395,846)	(67,144)	(59,236)	(1,430,752)	(1,455,082)
Other Liabilities	(7,465,376)	(7,512,934)	(61,853)	(53,962)	(7,527,229)	(7,566,896)
Total Liabilities	(8,828,984)	(8,908,780)	(128,997)	(113,198)	(8,957,981)	(9,021,978)
Net Assets						
Invested in Capital Assets Net of Debt	7,169,126	6,894,422	157,409	172,499	7,326,535	7,066,921
Restricted	25,482	36,212	0	0	25,482	36,212
Unrestricted (Deficit)	973,887	686,922	270,995	143,419	1,244,882	830,341
Total Net Assets	\$ 8,168,495	\$ 7,617,556	\$ 428,404	\$ 315,918	\$ 8,596,899	\$ 7,933,474

Total assets increased by \$599,428 with governmental assets increasing \$471,143 and business-type assets increasing \$128,285. An increase of approximately \$260,000 in total capital assets reflects additional purchases exceeding depreciation. Total liabilities decreased by \$63,997 with governmental activities comprising most of that amount.

The net assets of the School District business-type activities increased by \$112,486 or 36%. The net assets of the School District governmental activities increased 7%.

Medina County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the changes in net assets for fiscal year 2004 and 2003 and will help further explain the change from the prior year.

(Table 2)
Governmental and Business-Type Activities

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 154,077	\$ 125,629	\$ 1,087,408	\$ 979,716	\$ 1,241,485	\$ 1,105,345
Operating Grants	689,661	557,475	333,724	269,925	1,023,385	827,400
<i>General Revenue:</i>						
Property Taxes	6,445,931	6,291,803	0	0	6,445,931	6,291,803
Grants and Entitlements	6,687,651	5,821,826	0	0	6,687,651	5,821,826
Other	198,724	206,011	38,448	0	237,172	206,011
<i>Total Revenues</i>	14,176,044	13,002,744	1,459,580	1,249,641	15,635,624	14,252,385
Program Expenses						
Instruction	8,004,861	7,253,264	0	0	8,004,861	7,253,264
Support Services	5,449,926	5,054,102	0	0	5,449,926	5,054,102
Operation of Non-Instructional	56,649	64,176	0	0	56,649	64,176
Extracurricular Activities	18,395	11,098	0	0	18,395	11,098
Interest and Fiscal Charges	11,925	19,875	0	0	11,925	19,875
Adult Education	0	0	915,432	762,960	915,432	762,960
Uniform School Supplies	0	0	178,509	157,429	178,509	157,429
Adult Community Education	0	0	336,502	185,070	336,502	185,070
<i>Total Expenses</i>	13,541,756	12,402,515	1,430,443	1,105,459	14,972,199	13,507,974
Increase (Decrease) in Net Assets Before Transfers	634,288	600,229	29,137	144,182	663,425	744,411
Net Transfers	(83,349)	(183,040)	83,349	183,040	0	0
Increase (Decrease) in Net Assets	\$ 550,939	\$ 417,189	\$ 112,486	\$ 327,222	\$ 663,425	\$ 744,411

Medina County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activities had total revenues of \$12.8 million and expenses of \$12.4 million.

(Table 3)
Governmental Activities

	2004		2003	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 8,004,861	\$ 7,414,872	\$ 7,253,264	\$ 6,919,879
Support Services:				
Pupil and Instructional Staff	1,614,484	1,368,735	1,593,197	1,263,453
Board of Education, Administration, Fiscal and Business	2,002,104	1,997,104	1,780,600	1,775,600
Operation and Maintenance of Plant	1,693,725	1,693,725	1,465,090	1,465,090
Pupil Transportation and Central	139,613	136,613	215,215	200,240
Operation of Non-Instructional	56,649	56,649	64,176	64,176
Extracurricular Activities	18,395	18,395	11,098	11,098
Interest and Fiscal Charges	11,925	11,925	19,875	19,875
Total	\$ 13,541,756	\$ 12,698,018	\$ 12,402,515	\$ 11,719,411

Instruction and Student Support Services comprise 86% of governmental program expenses. Operation/maintenance of plant accounts for 13% of governmental program expenses.

The School District's only major governmental fund is the general fund. The fund balance in the general fund increased by \$170,594 in the current year.

Medina County Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Business-Type Activities

Business-type activities include our adult education programs, vocational, and the sale of uniform school supplies. These programs had revenues of \$1,459,580 and expenses of \$1,430,443 for fiscal year 2004.

The School District's major enterprise fund is the adult education fund which had an increase in net assets of \$106,748 in 2004.

General Fund Budgeting Highlights

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

For the general fund actual revenue of \$13.5 million was \$1.4 million over the original and final budget estimate of \$12.1 million. The reason for the variance is the Treasurer chooses to certify only the revenue needed to meet expenses in that fiscal year.

Final appropriations of \$13.4 million were \$200,000 more than the first draft of the original budget of \$13.2 million. This \$200,000 variance is within 1.5 % of total expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$7.3 million invested in land, buildings and improvements, furniture and equipment, vehicles, and infrastructure. A total of \$7.2 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2004 balances compared with 2003.

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 794,096	\$ 794,096	\$ 0	\$ 0	\$ 794,096	\$ 794,096
Buildings and Improvements	6,036,213	5,749,805	157,409	164,154	6,193,622	5,913,959
Furniture and Equipment	232,306	245,396	0	8,345	232,306	253,741
Vehicles	89,222	105,125	0	0	89,222	105,125
Infrastructure	17,289	0	0	0	17,289	0
Totals	\$ 7,169,126	\$ 6,894,422	\$ 157,409	\$ 172,499	\$ 7,326,535	\$ 7,066,921

Medina County Joint Vocational School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

The \$259,614 increase in capital assets was attributable to additional purchases exceeding depreciation expense. For additional information, see Note 8.

Ohio law requires school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$134,315 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements. For the textbooks, the School District disbursed \$957,094, with the remainder scheduled to be carried forward into the 2005 fiscal year. See Note 20 for further explanation.

Current Issues

The Medina County Career Center saw another year of student enrollment growth from approximately 899 students at June 30, 2003 to 1,000 students at June 30, 2004. The district will continue to meet the challenge of increased enrollment and provide the best services possible for the students.

Contacting the School District's Financial Management

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

Medina County Joint Vocational School

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,125,638	\$ 377,638	\$ 3,503,276
Receivables:			
Taxes	6,534,164	0	6,534,164
Accounts	0	1,200	1,200
Internal Balances	2,000	(2,000)	0
Intergovernmental	75,661	0	75,661
Inventory	90,890	23,154	114,044
Nondepreciable Capital Assets	794,096	0	794,096
Depreciable Capital Assets (Net)	6,375,030	157,409	6,532,439
<i>Total Assets</i>	<u>16,997,479</u>	<u>557,401</u>	<u>17,554,880</u>
Liabilities			
Accounts Payable	163,995	7,503	171,498
Accrued Wages and Benefits	1,054,962	34,255	1,089,217
Intergovernmental Payable	176,682	20,095	196,777
Deferred Revenue	5,919,737	0	5,919,737
Notes Payable	150,000	0	150,000
Long Term Liabilities:			
Due Within One Year	42,984	328	43,312
Due Within More Than One Year	1,320,624	66,816	1,387,440
<i>Total Liabilities</i>	<u>8,828,984</u>	<u>128,997</u>	<u>8,957,981</u>
Net Assets			
Invested in Capital Assets	7,169,126	157,409	7,326,535
Restricted for:			
Other Purposes	25,482	0	25,482
Unrestricted	973,887	270,995	1,244,882
<i>Total Net Assets</i>	<u>\$ 8,168,495</u>	<u>\$ 428,404</u>	<u>\$ 8,596,899</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Current:			
Instruction:			
Regular	\$ 2,318,963	\$ 0	\$ 16,374
Special	261,932	0	0
Vocational	5,237,884	154,077	269,203
Adult Continuing	186,082	0	150,335
Support Services:			
Pupils	1,173,774	0	144,735
Instructional Staff	440,710	0	101,014
Board of Education	32,705	0	0
Administration	1,329,696	0	5,000
Fiscal	443,745	0	0
Business	195,958	0	0
Operation and Maintenance of Plant	1,693,725	0	0
Pupil Transportation	36,692	0	0
Central	102,921	0	3,000
Operation of Non-Instructional Services	56,649	0	0
Extracurricular Activities	18,395	0	0
Interest and Fiscal Charges	11,925	0	0
<i>Total Governmental Activities</i>	<u>13,541,756</u>	<u>154,077</u>	<u>689,661</u>
Business-Type Activities			
Adult Education	915,432	650,008	333,724
Uniform Supplies	178,509	170,269	0
Vocational Education	336,502	267,131	0
<i>Total Business-Type Activities</i>	<u>1,430,443</u>	<u>1,087,408</u>	<u>333,724</u>
<i>Totals</i>	<u>\$ 14,972,199</u>	<u>\$ 1,241,485</u>	<u>\$ 1,023,385</u>

General Revenues

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

Total General Revenues

Change in Net Assets Before Transfers

Net Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,302,589)	\$ 0	\$ (2,302,589)
(261,932)	0	(261,932)
(4,814,604)	0	(4,814,604)
(35,747)	0	(35,747)
(1,029,039)	0	(1,029,039)
(339,696)	0	(339,696)
(32,705)	0	(32,705)
(1,324,696)	0	(1,324,696)
(443,745)	0	(443,745)
(195,958)	0	(195,958)
(1,693,725)	0	(1,693,725)
(36,692)	0	(36,692)
(99,921)	0	(99,921)
(56,649)	0	(56,649)
(18,395)	0	(18,395)
(11,925)	0	(11,925)
<u>(12,698,018)</u>	<u>0</u>	<u>(12,698,018)</u>
0	68,300	68,300
0	(8,240)	(8,240)
0	(69,371)	(69,371)
<u>0</u>	<u>(9,311)</u>	<u>(9,311)</u>
\$ <u>(12,698,018)</u>	\$ <u>(9,311)</u>	\$ <u>(12,707,329)</u>
6,445,931	0	6,445,931
6,687,651	0	6,687,651
30,342	0	30,342
<u>168,382</u>	<u>38,448</u>	<u>206,830</u>
13,332,306	38,448	13,370,754
634,288	29,137	663,425
<u>(83,349)</u>	<u>83,349</u>	<u>0</u>
550,939	112,486	663,425
<u>7,617,556</u>	<u>315,918</u>	<u>7,933,474</u>
\$ <u><u>8,168,495</u></u>	\$ <u><u>428,404</u></u>	\$ <u><u>8,596,899</u></u>

Medina County Joint Vocational School

Balance Sheet

Governmental Funds

June 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,061,937	\$ 63,701	\$ 3,125,638
Receivables:			
Taxes	6,534,164	0	6,534,164
Interfund	77,034	0	77,034
Intergovernmental	0	75,661	75,661
Inventory	90,890	0	90,890
<i>Total Assets</i>	<u>\$ 9,764,025</u>	<u>\$ 139,362</u>	<u>\$ 9,903,387</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 159,545	\$ 4,450	\$ 163,995
Accrued Wages and Benefits	1,033,474	21,488	1,054,962
Interfund Payable	0	75,034	75,034
Intergovernmental Payable	142,591	4,965	147,556
Deferred Revenue	6,184,881	56,915	6,241,796
Notes Payable	150,000	0	150,000
<i>Total Liabilities</i>	7,670,491	162,852	7,833,343
Fund Balances			
Fund Balance:			
Reserved for Encumbrances	48,263	753	49,016
Reserved for Inventory	90,890	0	90,890
Reserved for Tax Revenue Unavailable for Appropriation	349,283	0	349,283
Unreserved:			
Undesignated, Unreserved Reported in:			
General Fund	1,605,098	0	1,605,098
Special Revenue Funds	0	(24,243)	(24,243)
<i>Total Fund Balances</i>	<u>2,093,534</u>	<u>(23,490)</u>	<u>2,070,044</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 9,764,025</u>	<u>\$ 139,362</u>	<u>\$ 9,903,387</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances	\$	2,070,044
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		7,169,126
Other long-term assets are not available to pay for current- period expenditures and therefore, are deferred in the funds.		
Grants	56,915	
Delinquent Property Taxes	265,144	322,059
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.		
Compensated Absences	(1,363,608)	
Intergovernmental Payable	(29,126)	(1,392,734)
 Net Assets of Governmental Activities	 \$	 <u>8,168,495</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 6,346,808	\$ 0	\$ 6,346,808
Intergovernmental	6,680,525	758,975	7,439,500
Investment Income	30,342	0	30,342
Tuition and Fees	154,077	0	154,077
Miscellaneous	123,595	44,787	168,382
<i>Total Revenues</i>	<u>13,335,347</u>	<u>803,762</u>	<u>14,139,109</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,049,322	17,428	2,066,750
Special	241,473	0	241,473
Vocational	4,931,937	308,936	5,240,873
Adult Continuing	33,072	152,948	186,020
Support Services:			
Pupils	992,011	132,424	1,124,435
Instructional Staff	303,996	104,704	408,700
Board of Education	32,705	0	32,705
Administration	1,322,516	7,430	1,329,946
Fiscal	442,728	0	442,728
Business	197,067	0	197,067
Operation and Maintenance of Plant	1,705,328	0	1,705,328
Pupil Transportation	26,835	0	26,835
Central	97,673	3,000	100,673
Operation of Non-Instructional Services	54,304	97	54,401
Extracurricular Activities	0	18,395	18,395
Capital Outlay	638,512	4,630	643,142
Interest and Fiscal Charges	11,925	0	11,925
<i>Total Expenditures</i>	<u>13,081,404</u>	<u>749,992</u>	<u>13,831,396</u>
<i>Excess of Revenues Over Expenditures</i>	253,943	53,770	307,713
Other Financing (Uses):			
Transfers out	(83,349)	0	(83,349)
<i>Net Change in Fund Balance</i>	170,594	53,770	224,364
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>1,922,940</u>	<u>(77,260)</u>	<u>1,845,680</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 2,093,534</u>	<u>\$ (23,490)</u>	<u>\$ 2,070,044</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$	224,364
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Fixed Asset Additions	505,624	
Current Year Depreciation	<u>(216,714)</u>	288,910
 Net effect of transactions involving sale of capital assets are not reflected in the funds		
		(14,206)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(62,188)	
Delinquent Property Taxes	<u>99,123</u>	36,935
 Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	32,238	
Pension Obligation	<u>(17,302)</u>	<u>14,936</u>
 Change in Net Assets of Governmental Activities		
		<u>\$ 550,939</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 6,804,500	\$ 6,804,500	\$ 6,373,363	\$ (431,137)
Intergovernmental	4,960,912	4,960,912	6,680,525	1,719,613
Investment Income	22,650	22,650	30,342	7,692
Tuition and Fees	192,263	192,263	258,551	66,288
Miscellaneous	91,654	91,654	123,595	31,941
<i>Total Revenues</i>	<u>12,071,979</u>	<u>12,071,979</u>	<u>13,466,376</u>	<u>1,394,397</u>
Expenditures:				
Current				
Instruction	7,413,339	7,320,770	7,320,770	0
Support Services				
Pupils	919,335	995,570	995,570	0
Instructional Staff	312,558	305,201	305,201	0
Board of Education	29,825	33,355	33,355	0
Administration	1,319,986	1,317,424	1,317,424	0
Fiscal	437,841	434,028	434,028	0
Business	192,614	191,252	191,252	0
Operation and Maintenance of Plant	1,668,414	1,740,300	1,740,300	0
Pupil Transportation	35,030	36,492	36,492	0
Central	115,000	112,171	112,171	0
Operation of Non-Instructional Services	46,800	51,419	51,419	0
Capital Outlay	575,144	748,688	748,688	0
Debt Service:				
Principal Retirement	150,000	150,000	150,000	0
Interest and Fiscal Charges	11,925	11,925	11,925	0
<i>Total Expenditures</i>	<u>13,227,811</u>	<u>13,448,595</u>	<u>13,448,595</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(1,155,832)	(1,376,616)	17,781	1,394,397
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	0	0	248	248
Refund of Prior Year Expenditures	0	0	20	20
Advances In	0	0	143,036	143,036
Advances Out	(200,000)	(83,930)	(83,930)	0
Transfers Out	(220,000)	(83,349)	(83,349)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(420,000)</u>	<u>(167,279)</u>	<u>(23,975)</u>	<u>143,304</u>
<i>Excess of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses</i>	(1,575,832)	(1,543,895)	(6,194)	1,537,701
<i>Fund Balance at Beginning of Year</i>	2,546,010	2,546,010	2,546,010	0
Prior Year Encumbrances Appropriated	314,314	314,314	314,314	0
<i>Fund Balance at End of Year</i>	<u>\$ 1,284,492</u>	<u>\$ 1,316,429</u>	<u>\$ 2,854,130</u>	<u>\$ 1,537,701</u>

See accompanying notes to the basic financial statements.

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Medina County Joint Vocational School

Statement of Net Assets

Proprietary Funds

June 30, 2004

	Business-Type Activities		
	Adult Education	NonMajor Enterprise Funds	Total
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 291,131	\$ 86,507	\$ 377,638
Accounts Receivable	1,200	0	1,200
Inventory	0	23,154	23,154
<i>Total Current Assets</i>	292,331	109,661	401,992
Non Current Assets:			
Depreciable Capital Assets (Net)	157,409	0	157,409
<i>Total Assets</i>	449,740	109,661	559,401
Liabilities			
Current Liabilities:			
Accounts Payable	2,150	5,353	7,503
Accrued Wages and Benefits	34,255	0	34,255
Interfund Payable	0	2,000	2,000
Vacations Payable	328	0	328
Intergovernmental Payable	20,095	0	20,095
<i>Total Current Liabilities</i>	56,828	7,353	64,181
Long Term Liabilities:			
Compensated Absences	66,816	0	66,816
<i>Total Liabilities</i>	123,644	7,353	130,997
Net Assets			
Invested in Capital Assets	157,409	0	157,409
Unrestricted	168,687	102,308	270,995
<i>Total Net Assets</i>	\$ 326,096	\$ 102,308	\$ 428,404

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities		
	Adult Education	NonMajor Enterprise Funds	Total
Operating Revenues:			
Tuition	\$ 650,008	\$ 0	\$ 650,008
Sales	0	251,643	251,643
Home Sale	0	185,757	185,757
Other Operating Revenues	38,448	0	38,448
<i>Total Operating Revenues</i>	<u>688,456</u>	<u>437,400</u>	<u>1,125,856</u>
Operating Expenses:			
Salaries	554,534	0	554,534
Fringe Benefits	203,135	0	203,135
Purchased Services	61,797	74,277	136,074
Materials and Supplies	80,621	314,006	394,627
Depreciation	6,745	0	6,745
Maintenance	2,107	7,119	9,226
Other Operating Expenses	6,493	119,609	126,102
<i>Total Operating Expenses</i>	<u>915,432</u>	<u>515,011</u>	<u>1,430,443</u>
Operating (Loss)	<u>(226,976)</u>	<u>(77,611)</u>	<u>(304,587)</u>
Non-Operating Revenues:			
Grants	333,724	0	333,724
<i>Income (Loss) Before Transfers</i>	106,748	(77,611)	29,137
Transfers in	0	83,349	83,349
<i>Change in Net Assets</i>	106,748	5,738	112,486
<i>Net Assets Beginning of Year</i>	<u>219,348</u>	<u>96,570</u>	<u>315,918</u>
<i>Net Assets End of Year</i>	<u>\$ 326,096</u>	<u>\$ 102,308</u>	<u>\$ 428,404</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities		
	Adult Education	NonMajor Enterprise Funds	Total
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 688,456	\$ 437,400	\$ 1,125,856
Cash Paid for Goods and Services	(142,641)	(507,271)	(649,912)
Cash Paid to Employees	(741,748)	0	(741,748)
<i>Net Cash (Used For) Operating Activities</i>	<u>(195,933)</u>	<u>(69,871)</u>	<u>(265,804)</u>
Cash Flows From Non-Capital Financing Activities:			
Transfers from Other Funds	0	83,349	83,349
Loans from Other Funds	0	2,000	2,000
Other Non-Operating Revenue	333,724	0	333,724
<i>Net Cash Provided By Non-Capital Financing Activities</i>	<u>333,724</u>	<u>85,349</u>	<u>419,073</u>
<i>Net Increase in Cash and Cash Equivalents</i>	137,791	15,478	153,269
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>153,340</u>	<u>71,029</u>	<u>224,369</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 291,131</u>	<u>\$ 86,507</u>	<u>\$ 377,638</u>
Reconciliation of Operating (Loss) to Net Cash (Used For) Operating Activities:			
Operating (Loss)	\$ (226,976)	\$ (77,611)	\$ (304,587)
Adjustments:			
Depreciation	6,745	0	6,745
Loss on Disposition of Assets	8,345	0	8,345
(Increase) Decrease Assets			
Inventory	0	7,894	7,894
Increase (Decrease) in Liabilities			
Accounts Payable	32	(154)	(122)
Accrued Wages and Benefits	5,169	0	5,169
Compensated Absences Payable	7,908	0	7,908
Due to Other Governments	2,844	0	2,844
<i>Total Adjustments</i>	<u>31,043</u>	<u>7,740</u>	<u>38,783</u>
<i>Net Cash (Used For) Operating Activities</i>	<u>\$ (195,933)</u>	<u>\$ (69,871)</u>	<u>\$ (265,804)</u>

See accompanying notes to the basic financial statements.

Medina County Joint Vocational School
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 91,018</u>
Liabilities	
Accounts Payable	\$ 1,200
Undistributed Monies	<u>89,818</u>
<i>Total Liabilities</i>	<u>\$ 91,018</u>

See accompanying notes to the basic financial statements.

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Medina County Joint Vocational School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

Note 1 - Description of The School District

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

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

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

Reporting Entity

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

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

The School District participates in two jointly governed organizations and one public entity risk pool. These organizations are the Lake Erie Educational Computer Association, the Ohio Schools Council, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 9 and 14 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

or contradict GASB pronouncements. The School District also has the option to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities enterprise funds, subject to this same limitation. The School District has elected not to apply these FASB Statements and Interpretations. The School District's significant accounting policies are described below.

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

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

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

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

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

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

C. Measurement Focus

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

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

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

E. Cash and Cash Equivalents

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

During fiscal year 2004, investments were limited to repurchase agreements and STAROhio, (the State Treasurer's Investment Pool).

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$30,342 which includes \$812 assigned from other School District funds.

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

F. Inventory

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

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

G. Restricted Assets

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$12,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

L. Net Assets

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

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

M. Fund Balance Reserves

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

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

N. Operating Revenues and Expenses

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

O. Interfund Activity

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

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

P. Estimates

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

Q. Budgetary Data

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

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

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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

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

Note 3 – Fund Deficits

Fund balances/net assets at June 30, 2004 included the following individual fund deficits:

	Deficit	
	<u>Fund Balance</u>	<u>Net Assets</u>
Other Governmental Funds:		
Full Service	\$ 5,436	\$ 0
Public Preschool	5,420	7,241
Able	11,996	5,153
Perkins	26,341	24,502

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 4 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance

GAAP Basis	\$	170,594
Net Adjustment for Revenue Accruals		131,294
Advance In		143,036
Advance Out		(83,930)
Net Adjustment for Expenditure Accruals		(159,380)
Adjustment for Encumbrances		<u>(207,808)</u>
Budget Basis	\$	<u><u>(6,194)</u></u>

Note 5 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current 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.

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

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

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

Cash on Hand: At year end, the School District had \$100 in undeposited cash on hand which is included on the financial statements 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 \$455,030 and the bank balance was \$534,108. Of the bank balance:

1. \$100,000 of the bank balance was covered by depository insurance; and
2. \$434,108 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments GASB Statement No. 3 requires the School District's investments 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. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$ 500,000	\$ 500,000	\$ 500,000
STAROhio		2,639,164	2,639,164
Totals		<u>\$ 3,139,164</u>	<u>\$ 3,139,164</u>

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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 (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Medina, Lorain, and Summit Counties. The County Auditors and Fiscal Officers periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$349,283 and is recognized as revenue in the general fund.

Medina County Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/03	Reclass to Infrastructure	Additions	Reductions	Balance 6/30/04
Governmental Activities					
<i>Capital Assets, not being depreciated:</i>					
Land	\$ 794,096	\$ 0	\$ 0	\$ 0	\$ 794,096
<i>Capital Assets, being depreciated:</i>					
Buildings and Improvements	9,538,938	(32,931)	474,143	0	9,980,150
Furniture and Equipment	966,687	0	31,481	(15,221)	982,947
Vehicles	243,673	0	0	0	243,673
Infrastructure	0	32,931	0	0	32,931
Total Capital Assets, being depreciated	10,749,298	0	505,624	(15,221)	11,239,701
Less Accumulated Depreciation:					
Buildings and Improvements	(3,789,133)	13,996	(168,800)	0	(3,943,937)
Furniture and Equipment	(721,291)	0	(30,365)	1,015	(750,641)
Vehicles	(138,548)	0	(15,903)	0	(154,451)
Infrastructure	0	(13,996)	(1,646)	0	(15,642)
Total Accumulated Depreciation	(4,648,972)	0	(216,714)	1,015	(4,864,671)
Total Capital Assets being depreciated, net	6,100,326	0	288,910	(14,206)	6,375,030
Governmental Activities Capital Assets, Net	<u>\$ 6,894,422</u>	<u>\$ 0</u>	<u>\$ 288,910</u>	<u>\$ (14,206)</u>	<u>\$ 7,169,126</u>
Business-Type Activities					
<i>Capital Assets being depreciated</i>					
Buildings	\$ 347,289	\$ 0	\$ 0	\$ 0	\$ 347,289
Furniture and Equipment	22,250	0	0	(22,250)	0
Total Capital Assets, being depreciated	369,539	0	0	(22,250)	347,289
Less Accumulated Depreciation:					
Buildings	(183,135)	0	(6,745)	0	(189,880)
Furniture and Equipment	(13,905)	0	0	13,905	0
Total Accumulated Depreciation	(197,040)	0	(6,745)	13,905	(189,880)
Total Capital Assets being depreciated, net	172,499	0	(6,745)	(8,345)	157,409
Business-Type Activities Assets, Net	<u>\$ 172,499</u>	<u>\$ 0</u>	<u>\$ (6,745)</u>	<u>\$ (8,345)</u>	<u>\$ 157,409</u>

Medina County Joint Vocational School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Instruction:		
Regular	\$	91,713
Special		10,021
Vocational		59,530
Support Services:		
Pupil		2,249
Instructional Staff		11,242
Administration		8,994
Fiscal		9,979
Operation and Maintenance of Plant		8,633
Pupil Transportaion		9,857
Central		2,248
Operation of Non-Instructional Services		2,248
		<hr/>
Total Depreciation	\$	<u>216,714</u>

Business-Type Activities:

Adult Education	\$	<u>6,745</u>
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Note 9 - Risk Management

A. Property and Liability

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

The School District through the Ohio Schools Council has a comprehensive property and casualty policy with Indiana Insurance and boiler coverage through Travelers Insurance. The deductible is \$2,500 per incident. Fleet coverage is provided by the Ohio School Plan and Hartford Reinsurance with a \$1,000,000 limit and a \$500 deductible. The School District has a liability policy through the Ohio School Plan and The Hartford Insurance Company with a \$3,000,000 limit. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no reduction in coverage from the prior year with the exception of the fleet coverage which was reduced from \$3,000,000 to a \$1,000,000 limit.

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

B. Workers' Compensation

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

C. Employee Medical Benefits

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

Note 10 – Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 320 days. Employees with five or more years of service are paid at various rates upon termination of employment.

Note 11- Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$355,405, \$317,993 and \$323,553 respectively; 95% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

B. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$817,907, \$802,607, and \$823,372 respectively; 86% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$6,254 made by the School District and \$14,200 made by the plan members.

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 12 - 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 health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$58,422 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, the health care costs paid by STRS were \$352,301,000 and STRS had 108,294 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% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$156,636.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS had approximately 50,000 participants currently receiving health care benefits.

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 13 - Long - Term Obligations

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

	Outstanding 6/30/03	Additions	Reductions	Outstanding 6/30/04	Amounts Due in One Year
Governmental Activities:					
Compensated Absences	\$ 1,395,846	\$ 67,342	\$ 99,580	\$ 1,363,608	\$ 42,984
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,395,846</u>	<u>\$ 67,342</u>	<u>\$ 99,580</u>	<u>\$ 1,363,608</u>	<u>\$ 42,984</u>
Business-Type Activities					
Compensated Absences	<u>\$ 59,236</u>	<u>\$ 12,035</u>	<u>\$ 4,127</u>	<u>\$ 67,144</u>	<u>\$ 328</u>

Note 14 - Jointly Governed Organizations

A. Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology to administrative and instructional functions among member districts. Each of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from LEECA's fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from LEECA's fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which the participating school districts are located. During the year ended June 30, 2004, the School District paid approximately \$19,628 to LEECA for basic services. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, LEECA's fiscal agent, at 1885 Lake Avenue, Elyria, Ohio.

B. Ohio Schools Council

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

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 15 – Segment Information for NonMajor Enterprise Funds

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

	Uniform Supplies	Vocational Education	Total
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current Assets	\$ 24,677	\$ 84,984	\$ 109,661
Total Assets	<u>24,677</u>	<u>84,984</u>	<u>109,661</u>
Liabilities:			
Current Liabilities	2,409	4,944	7,353
Total Liabilities	<u>2,409</u>	<u>4,944</u>	<u>7,353</u>
Net Assets:			
Unrestricted	22,268	80,040	102,308
Total Net Assets	<u>\$ 22,268</u>	<u>\$ 80,040</u>	<u>\$ 102,308</u>

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

Sales	\$ 170,269	\$ 81,374	\$ 251,643
Home Sale	0	185,757	185,757
Operating Expenses	<u>(178,509)</u>	<u>(336,502)</u>	<u>(515,011)</u>
Operating Income	(8,240)	(69,371)	(77,611)
Transfer In	0	83,349	83,349
Change in Net Assets	<u>(8,240)</u>	<u>13,978</u>	<u>5,738</u>
Beginning Net Assets	30,508	66,062	96,570
Ending Net Assets	<u>\$ 22,268</u>	<u>\$ 80,040</u>	<u>\$ 102,308</u>

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided (Used) By:			
Operating Activities	\$ (4,410)	\$ (65,461)	\$ (69,871)
Noncapital Financing Activities	2,000	83,349	85,349
Net Increase (Decrease)	<u>(2,410)</u>	<u>17,888</u>	<u>15,478</u>
Beginning Cash and Cash Equivalents	3,933	67,096	71,029
Ending Cash and Cash Equivalents	<u>\$ 1,523</u>	<u>\$ 84,984</u>	<u>\$ 86,507</u>

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 16 – Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Note 17 - Interfund Transfers

Transfers made during fiscal year 2004 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 83,349
Vocational Rotary	83,349	0
Total	<u>\$ 83,349</u>	<u>\$ 83,349</u>

Note 18 - Interfund Balances

Interfund balances at June 30, 2004 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 77,034	\$ 0
Nonmajor Governmental Funds	0	75,034
Uniform Supplies	0	2,000
	<u>\$ 77,034</u>	<u>\$ 77,034</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2004, all interfund payables outstanding are anticipated to be repaid in fiscal year 2005.

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 19 – Tax Anticipation Notes

Debt outstanding at June 30, 2004 was as follows:

Tax Anticipation Notes, Series 1999 balance at June 30, 2004:

	<u>Balance</u> <u>6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/04</u>
Tax Anticipation Note				
5.3% Interest Rate	<u>\$ 300,000</u>	<u>\$ 0</u>	<u>\$ (150,000)</u>	<u>\$ 150,000</u>

The tax anticipation notes were issued by the School District on November 23, 1999. Principal installment payments began on December 1, 2000, and are payable, with interest, semi-annually on June 1 and December 1 through 2005. The notes were initially issued in anticipation of the collection of a fraction of the proceeds of an additional tax levy in excess of the ten-mill limitation approved by the electors of the School District on May 7, 1991 for the purpose of current expenses. Total interest to be paid over the remaining life of the loan is \$3,975.

Amortization of the above notes is scheduled as follows:

<u>June 30,</u>	<u>Amount</u>
2005	<u>150,000</u>
Total	<u>\$ 150,000</u>

Note 20 - Set-Asides

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

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

Medina County Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

	Budget Stabilization Reserve	Capital Improvement Reserve	Textbooks Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2003	\$ 81,924	\$ 0	\$ 0	\$ 81,924
Set-Aside Carryover Balance as of June 30, 2003	0	0	0	0
Current Year Set-Aside Requirement	0	134,315	134,315	268,630
Qualifying Disbursements	0	(1,088,038)	(957,094)	(2,045,132)
Amount Returned to General Fund	(81,924)			(81,924)
Total	<u>\$ 0</u>	<u>\$ (953,723)</u>	<u>\$ (822,779)</u>	<u>\$ (1,776,502)</u>
Cash Balance Carried Forward FY 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Amount to Restrict for Set-Asides				<u>\$ 0</u>
Total Restricted Assets				<u>\$ 0</u>

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

Note 21 – State School Funding Decision

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

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

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



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Medina County Joint Vocational School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2004. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 20, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to the District in a separate letter dated December 20, 2004.

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www.auditor.state.oh.us

This report is intended solely for the information and use of the audit committee, management, the Board of Education, 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.

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

Betty Montgomery
Auditor of State

December 20, 2004



**Auditor of State
Betty Montgomery**

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MEDINA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**