



**Auditor of State
Betty Montgomery**

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Ashtabula County Joint Vocational School District
Ashtabula County
1565 State Route 167
Jefferson, Ohio 44047

To the Board of Education

We have audited the accompanying general-purpose financial statements of Ashtabula County Joint Vocational School, Ashtabula County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ashtabula County Joint Vocational School, Ashtabula County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types 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 February 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.

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

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

Betty Montgomery
Auditor of State

February 20, 2004

**Ashtabula County Joint Vocational School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003**

	<u>Governmental Fund Types</u>			<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fund Types</u>	<u>Fund Types</u>	<u>General</u>	<u>General</u>	<u>2003</u>
				<u>Enterprise</u>	<u>Trust and Agency</u>	<u>Fixed Assets</u>	<u>Long Term Debt</u>	<u>(Memorandum)</u>
								<u>(Only)</u>
Assets and Other Debits:								
Equity in Pooled Cash and Cash Equivalents	\$3,419,584	\$435,447	\$2,874,220	\$550,168	\$29,677	\$0	\$0	\$7,309,096
Taxes Receivable	3,810,256	0	299,291	0	0	0	0	4,109,547
Interfund Receivable	346,162	0	0	0	0	0	0	346,162
Intergovernmental Receivable	0	81,830	0	20,275	0	0	0	102,105
Accounts Receivable	56,684	279,780	0	242,356	6,803	0	0	585,623
Supplies Inventory	16,330	0	0	987	0	0	0	17,317
Inventory for Resale	0	0	0	5,776	0	0	0	5,776
Property, Plant & Equipment (net where applicable)	0	0	0	61,134	0	8,543,746	0	8,604,880
Amount to be Provided for Retirement of General Long Term Debt							755,841	755,841
Total Assets and Other Debits	<u>\$7,649,016</u>	<u>\$797,057</u>	<u>\$3,173,511</u>	<u>\$880,696</u>	<u>\$36,480</u>	<u>\$8,543,746</u>	<u>\$755,841</u>	<u>\$21,836,347</u>

(continued)

**Ashtabula County Joint Vocational School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2003**

	<u>Governmental Fund Types</u>			<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fund Types Enterprise</u>	<u>Fund Types Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long Term Debt</u>	<u>2003 (Memorandum) (Only)</u>
Liabilities:								
Interfund Payable	\$0	301,162	0	45,000	0	0	0	\$346,162
Intergovernmental Payable	120,885	15,623	0	11,995	0	0	5,924	154,427
Accounts Payable	47,166	66,230	685	13,025	1,797	0	0	128,903
Accrued Salaries and Benefits	657,008	75,190	0	34,872	0	0	0	767,070
Deferred Revenue	2,478,545	0	194,410	0	0	0	0	2,672,955
Due to Others	0	0	0	0	25,616	0	0	25,616
Capital Leases Payable	0	0	0	0	0	0	21,077	21,077
Compensated Absences Payable	36,656	416	0	26,432	0	0	728,840	792,344
Total Liabilities	<u>3,340,260</u>	<u>458,621</u>	<u>195,095</u>	<u>131,324</u>	<u>27,413</u>	<u>0</u>	<u>755,841</u>	<u>4,908,554</u>
Fund Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	8,543,746	0	8,543,746
Retained Earnings	0	0	0	749,372	0	0	0	749,372
Fund Balances:								
Reserved For Inventory	18,540	0	0	0	0	0	0	18,540
Reserved for Encumbrances	312,064	243,143	222,089	0	0	0	0	777,296
Reserved for Future Appropriation	1,331,711	0	104,881	0	0	0	0	1,436,592
Unreserved Fund Balance	2,646,441	95,293	2,651,446	0	9,067	0	0	5,402,247
Total Fund Equity	<u>4,308,756</u>	<u>338,436</u>	<u>2,978,416</u>	<u>0</u>	<u>9,067</u>	<u>0</u>	<u>0</u>	<u>7,634,675</u>
Total Fund Balances/Retained Earnings and Other Credits	<u>4,308,756</u>	<u>338,436</u>	<u>2,978,416</u>	<u>749,372</u>	<u>9,067</u>	<u>8,543,746</u>	<u>0</u>	<u>16,927,793</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$7,649,016</u>	<u>\$797,057</u>	<u>\$3,173,511</u>	<u>\$880,696</u>	<u>\$36,480</u>	<u>\$8,543,746</u>	<u>\$755,841</u>	<u>\$21,836,347</u>

See Accompanying Notes to the General Purpose Financial Statements.

Ashtabula County Joint Vocational School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2003

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	<u>Fund Type</u> <u>Expendable</u> <u>Trust</u>	
REVENUES:					
Taxes	\$3,949,614	0	312,921	0	\$4,262,535
Tuition	38,964	402,992	0	0	441,956
Earnings on Investments	129,524	347	0	17	129,888
Extracurricular Activities	0	36,929	0	3,079	40,008
Miscellaneous	178,391	23,666	0	5,304	207,361
Revenue from Intermediate Sources					
Restricted Grants-in-Aid	0	817,606	0	0	817,606
Revenue from State Sources					
Unrestricted Grants-in-Aid	4,301,170	78,941	41,056	0	4,421,167
Restricted Grants-in-Aid	33,083	98,978	0	0	132,061
Revenue from Federal Sources					
Restricted Grants-in-Aid	<u>0</u>	<u>759,414</u>	<u>0</u>	<u>0</u>	<u>759,414</u>
Total Revenue	8,630,746	2,218,873	353,977	8,400	11,211,996
EXPENDITURES:					
Instruction					
Regular	582,444	355	0	0	582,799
Special	137,776	0	0	0	137,776
Vocational	3,644,014	318,485	0	0	3,962,499
Adult/Continuing Instruction	0	188,656	0	0	188,656
Other Instruction	0	94,407	0	0	94,407
Supporting Services					
Pupils	303,169	400,232	0	0	703,401
Instructional Staff	574,174	75,018	0	0	649,192
Board of Education	55,534	0	0	0	55,534
Administration	496,126	689,819	0	0	1,185,945
Fiscal Services	297,358	0	5,963	0	303,321
Business	52,278	0	0	0	52,278
Operation & Maintenance-Plant	952,084	90	0	0	952,174
Pupil Transportation	45,479	0	0	0	45,479
Central Services	8,296	44,047	0	0	52,343
Food Services	0	2,057	0	0	2,057
Extracurricular Activities					
Occupation Oriented Activity	0	9,651	0	5,300	14,951
Co-Curricular Activities	0	30,038	0	4,605	34,643
Capital Outlay					
Other Facility Acquisition & Construction	<u>0</u>	<u>0</u>	<u>380,744</u>	<u>0</u>	<u>380,744</u>
Total Expenditures	7,148,732	1,852,855	386,707	9,905	9,398,199
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,482,014	366,018	(32,730)	(1,505)	1,813,797
Other Financing Sources and Uses:					
Transfers-In	11,001	978	1,518,000	0	1,529,979
Refund Of Prior Years Exp.	13,540	0	0	0	13,540
Transfers-Out	(1,707,300)	(11,979)	0	0	(1,719,279)
Refund Of Prior Years Rec.	(3,761)	(15,251)	0	0	(19,012)
Pass Through Payments	0	(92,448)	0	0	(92,448)
Net Other Financing Sources and Uses	<u>(1,686,520)</u>	<u>(118,700)</u>	<u>1,518,000</u>	<u>0</u>	<u>(287,220)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditure Disbursement and Other Uses	(204,506)	247,318	1,485,270	(1,505)	1,526,577
Increase/Decrease in Inventory	(2,211)	0	0	0	(2,211)
Beginning Fund Balance	4,515,473	91,118	1,493,146	10,572	6,110,309
Ending Fund Balance	<u>\$4,308,756</u>	<u>\$338,436</u>	<u>\$2,978,416</u>	<u>\$9,067</u>	<u>\$7,634,675</u>

See Accompanying Notes to the General Purpose Financial Statements.

Ashtabula County Joint Vocational School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2003

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Taxes	\$3,760,000	\$3,759,089	(\$911)	\$0	\$0	\$0
Tuition	39,955	40,067	112	156,900	156,900	0
Earnings on Investment	125,350	125,724	374	300	285	(15)
Extracurricular Activities	0	0	0	37,100	36,929	(171)
Miscellaneous	229,695	229,863	168	8,390	8,632	242
Local Restricted Grants-in-Aid	0	0	0	896,842	775,317	(121,525)
State Unrestricted Grants-in-Aid	4,301,000	4,301,170	170	79,000	78,941	(59)
State Restricted Grants-in-Aid	33,000	33,083	83	101,953	101,953	0
Federal Restricted Grants-in-Aid	625	625	0	888,375	762,193	(126,182)
Total Revenue	8,489,625	8,489,621	(4)	2,168,860	1,921,150	(247,710)
Expenditures:						
Regular Instruction	650,150	601,660	48,490	353	353	0
Special Instruction	142,460	128,651	13,809	0	0	0
Vocational Instruction	4,062,526	3,770,975	291,551	385,014	318,021	66,993
Adult/Continuing Education	0	0	0	188,344	182,193	6,151
Other Instruction	0	0	0	177,115	96,670	80,445
Support Services-Pupils	352,570	301,205	51,365	441,366	394,718	46,648
Support Services-Instructional Staff	653,299	590,180	63,119	108,264	77,619	30,645
Support Services-Board of Education	182,423	75,818	106,605	0	0	0
Support Services-Administration	553,137	516,960	36,177	837,639	817,000	20,639
Fiscal Services	327,305	300,606	26,699	0	0	0
Support Services-Business	59,546	58,749	797	0	0	0
Operation & Maintenance-Plant	1,083,283	1,033,739	49,544	500	315	185
Support Services-Transportation	60,200	47,781	12,419	0	0	0
Support Services-Central	14,478	8,639	5,839	58,984	44,819	14,165
Food Services	0	0	0	2,249	2,177	72
Occupation Oriented Activities	0	0	0	10,850	9,771	1,079
Co-Curricular Activities	0	0	0	32,617	29,159	3,458
Facilities Acquisition & Construction	0	0	0	0	0	0
Total Expenditures	8,141,377	7,434,963	706,414	2,243,295	1,972,815	270,480
Excess of Revenue Over (Under) Expenditures	348,248	1,054,658	706,410	(74,435)	(51,665)	22,770
Other Financing Sources (Uses):						
Advances-In	71,275	262,555	191,280	185,000	317,118	132,118
Transfer-In	11,000	11,001	1	978	978	0
Refund of Prior Years Expenditures	8,600	8,658	58	0	0	0
Advances-Out	(167,042)	(362,118)	(195,076)	0	(199,455)	(199,455)
Transfers-Out	(1,722,580)	(1,707,300)	15,280	(11,979)	(11,979)	0
Pass Through Payment	0	0	0	(92,449)	(92,448)	1
Refund of Prior Years Receipts	(7,903)	(3,761)	4,142	(15,251)	(15,251)	0
Total Other Sources (Uses)	(1,806,650)	(1,790,965)	15,685	66,299	(1,037)	(67,336)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,458,402)	(736,307)	722,095	(8,136)	(52,702)	(44,566)
Beginning Fund Balance	3,643,798	3,613,798	0	213,276	213,276	0
Prior Year Carry Over Encumbrances	159,995	159,995	0	107,570	107,570	0
Ending Fund Balance	\$2,345,391	\$3,037,486	\$722,095	\$312,710	\$268,144	(\$44,566)

(Continued)

Ashtabula County Joint Vocational School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Fund - Continued
Year Ended June 30, 2003

	<u>Capital Projects Funds</u>			<u>Expendable Trust Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Taxes	\$308,000	\$308,018	\$18	\$0	\$0	\$0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	100	17	(83)
Extracurricular Activities	0	0	0	3,500	3,079	(421)
Miscellaneous	0	0	0	5,400	5,304	(96)
Local Restricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	35,600	41,056	5,456	0	0	0
State Restricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	343,600	349,074	5,474	9,000	8,400	(600)
Expenditures:						
Regular Instruction	0	0	0	0	0	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Adult/Continuing Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	8,000	5,963	2,037	0	0	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Food Services	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	8,571	5,300	3,271
Co-Curricular activities	0	0	0	7,000	4,603	2,397
Facilities Acquisition & Construction	841,227	611,833	229,394	0	0	0
Total Expenditures	849,227	617,796	231,431	15,571	9,903	5,668
Excess of Revenue Over (Under) Expenditures	(505,627)	(268,722)	(225,957)	(6,571)	(1,503)	(6,268)
Other Financing Sources (Uses):						
Advances-In	0	0	0	0	0	0
Transfer-In	1,518,000	1,518,000	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Pass Through Payments	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	1,518,000	1,518,000	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,012,373	1,249,278	(225,957)	(6,571)	(1,503)	(6,268)
Beginning Fund Balance	1,222,943	1,222,943	0	10,573	10,573	0
Prior Year Carry Over Encumbrances	179,227	179,227	0	0	0	0
Ending Fund Balance	\$2,414,543	\$2,651,448	(\$225,957)	\$4,002	\$9,070	(\$6,268)

(Continued)

Ashtabula County Joint Vocational School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Fund - Continued
Year Ended June 30, 2003

	<u>Totals (Memorandum Only)</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$4,068,000	\$4,067,107	(\$893)
Tuition	196,855	196,967	112
Earnings on Investment	125,750	126,026	276
Extracurricular Activities	40,600	40,008	(592)
Miscellaneous	243,485	243,799	314
Local Restricted Grants-in-Aid	932,442	816,373	(116,069)
State Unrestricted Grants-in-Aid	4,415,600	4,421,167	5,567
State Restricted Grants-in-Aid	134,953	135,036	83
Federal Restricted Grants-in-Aid	889,000	762,818	(126,182)
Total Revenue	11,046,685	10,809,301	(237,384)
Expenditures:			
Regular Instruction	650,503	602,013	48,490
Special Instruction	142,460	128,651	13,809
Vocational Instruction	4,447,540	4,088,996	358,544
Adult/Continuing Instruction	188,344	182,193	6,151
Other Instruction	177,115	96,670	80,445
Support Services-Pupils	793,936	695,923	98,013
Support Services-Instructional Staff	761,563	667,799	93,764
Support Services-Board of Education	182,423	75,818	106,605
Support Services-Administration	1,390,776	1,333,960	56,816
Fiscal Services	335,305	306,569	28,736
Support Services-Business	59,546	58,749	797
Operation & Maintenance-Plant	1,083,783	1,034,054	49,729
Support Services-Transportation	60,200	47,781	12,419
Support Services-Central	73,462	53,458	20,004
Food Services	2,249	2,177	72
Occupation Oriented Activities	19,421	15,071	4,350
Co-Curricular activities	39,617	33,762	5,855
Facilities Acquisition & Construction	841,227	611,833	229,394
Total Expenditures	11,249,470	10,035,477	1,213,993
Excess of Revenue Over (Under) Expenditures	(202,785)	773,824	976,609
Other Financing Sources (Uses):			
Advances-In	256,275	579,673	323,398
Transfer-In	1,529,978	1,529,979	1
Refund of Prior Years Expenditures	8,600	8,658	58
Advances-Out	(167,042)	(561,573)	(394,531)
Transfers-Out	(1,734,559)	(1,719,279)	15,280
Pass Through Payments	(92,449)	(92,448)	1
Refund of Prior Year Receipts	(23,154)	(19,012)	4,142
Total Other Sources (Uses)	(222,351)	(274,002)	(51,651)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(425,136)	499,822	924,958
Beginning Fund Balance	5,090,590	5,090,590	0
Prior Year Carry Over Encumbrances	446,792	446,792	0
Ending Fund Balance	<u>\$5,112,246</u>	<u>\$6,037,204</u>	<u>\$924,958</u>

See Accompanying Notes to the General Purpose Financial Statements.

Ashtabula County Joint Vocational School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 2003

	<u>Enterprise Funds</u>
Operating Revenues:	
Tuition	\$585,530
Food Service	116,496
Classroom Materials & Fees	56,810
Miscellaneous	<u>308,949</u>
Total Operating Revenue	1,067,785
Operating Expenses:	
Personal Services - Salary	761,529
Employee Benefits	251,337
Purchased Services	45,114
Supplies and Materials	369,600
Other Objects	59,556
Depreciation	<u>7,148</u>
Total Operating Expense	1,494,284
Operating Income (Loss)	(426,499)
Non-Operating Revenues:	
Earnings on Investments	214
State Unrestricted Grants-in-Aid	263,364
State Restricted Grants-in-Aid	1,849
Federal Unrestricted Grants-in-Aid	32,842
Federal Restricted Grants-in-Aid	188,555
Refund of Prior Years Exp.	<u>91</u>
Total Non-Operating Revenue	486,915
Non-Operating Expenses:	
Refund of Prior Years Receipts	3,134
Net Income (Loss) Before Operating Transfers	57,282
Transfers-In	189,300
Net Income (Loss)	246,582
Beginning Retained Earnings	<u>502,790</u>
Retained Earnings at End of Year	<u>\$749,372</u>

See Accompanying Notes to the General Purpose Financial Statements.

**Ashtabula County Joint Vocational School District
 Combined Statement of Changes in Cash Flows
 All Proprietary Fund Types
 Year Ended June 30, 2003**

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Operating (Loss) Income	(\$426,499)
Adjustment to Reconcile Operating Gain (Loss) To Net Cash used in Operating Activities:	
Depreciation	7,148
Net (Increases) Decreases in Assets:	
Intergovernmental Receivable	5,527
Accounts Receivable	(55,740)
Inventory	680
Net Increases (Decreases) in Liabilities:	
Interfund Payable	(18,100)
Due to Other Governments	(1,824)
Accounts Payable	(2,806)
Accrued Salaries and Benefits	(3,051)
Deferred Revenue	(2,002)
Compensated Absences	6,136
Net Adjustments	<u>(64,032)</u>
Net Cash Used in Operating Activities	(490,531)
Cash Flows from Investing Activities:	
Interest Earned on Investments	214
Net Cash Provided by Investing Activities	<u>214</u>
Cash Flows from Noncapital Financing Activities:	
Other Uses	(3,043)
Transfers in from Other Funds	189,300
Operating Grants from State Sources	265,213
Operating Grants from Federal Sources	221,397
Net Cash Provided by Noncapital Financing Activities	<u>672,867</u>
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(2,937)
Net Cash Used for Capital Financing Activities	<u>(2,937)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	179,613
Cash and Cash Equivalents at Beginning of Year	<u>370,555</u>
Cash and Cash Equivalents at End of Year	<u><u>\$550,168</u></u>

See Accompanying Notes to General Purpose Financial Statements

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

Note 1. Summary of Significant Accounting Policies

The financial statements of the Ashtabula County Joint Vocational School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant District accounting policies are described below.

A. Reporting Entity

The District was organized in 1965 under section 3311.18 of the Ohio Revised Code. The District is a fiscally independent political subdivision of the State of Ohio. The District is governed by a seven member Board of Education. Membership is comprised of Board Members from the following districts: Ashtabula Area City (2 representatives), Ashtabula County Educational Service Center (3 representatives), Conneaut Area City (1 representative), and Geneva Area City (1 representative).

The District has been supported by a 3.31 mill continuing operating levy, a .5 mill 3-year operating levy, and a .3 permanent improvement levy and by funds from the State of Ohio Joint Vocational School Foundation Program.

The District provides job training leading to employment upon graduation from high school. The District fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan and implement education programs designed to meet the common needs and interests of students.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all the organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the Board of Education is financially accountable.

B. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

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

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

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

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

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund types are:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds (i.e., governmental funds only) because they do not affect expendable available financial resources. The account groups are:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

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

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e. expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the 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 District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003 that are intended to finance fiscal year 2004 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

The proprietary fund type and nonexpendable trust funds utilize the full accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as non-operating revenue.

D. Budget and Budgetary Accounting

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 Appropriation Resolution are subject to amendments through the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated, the primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2003.

Appropriations - Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds, 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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

E. Cash and Cash Equivalents

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During the fiscal year all investments were limited to savings accounts, certificates of deposit and repurchase agreements.

Under existing Ohio statutes all interest earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund.

All interest earnings accrue to the General Fund, the Special Revenue Funds, Expendable Trust Fund and Enterprise Fund, per board resolution. Interest revenue credited to the General Fund during the fiscal year amounted to \$129,524. Interest income earned for all funds in fiscal year 2003 totaled \$130,102.

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

F. Inventories

Inventories of governmental funds are stated at cost, which approximates market, 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. Inventories are determined by physical count. Supplies inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed (consumption method). Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds and inventory held for resale in the governmental fund consist of donated food, purchased food, school supplies, and general supplies, and other items held for resale and are expended when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at an estimated historical cost as certified by a professional appraisal company. Donated fixed assets are valued at their estimated fair market value on the date received.

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

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of 5 to 20 years of the assets.

I. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2003 the District had \$346,162 in interfund receivables/payables.

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

J. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16.

Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee, and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws.

Sick Leave: Each employee is entitled to fifteen (15) days sick leave with pay each year under contract and accrues sick leave at the rate of one and one-fourth (1-1/4) days for each calendar month under contract. Sick leave may be accumulated to a maximum based upon negotiated agreements. Certified staff accumulate sick leave to a maximum of 305 days; severance pay is based upon an incremental scale up to a maximum of 75 days. Classified staff who are members of the teamsters accumulate sick leave to a maximum of 210 days; severance is paid up to a maximum of 60 days. Classified secretaries who are members of the ACJVS Secretaries Association accumulate sick leave to a maximum of 250 days; severance is paid up to a maximum of 75 days. Non-union classified staff accumulate sick leave to a maximum of 275 days; severance is paid up to a maximum of 70 days.

Vacation Pay: Classified employees earn ten (10) to twenty (20) days of vacation per year, depending upon length of service. Although each employee is encouraged to use vacation leave as earned, such leave may accumulate to a maximum of one year, upon written permission of the superintendent.

Vacation is granted based upon negotiated agreements and board policy. Classified staff receive 10 to 20 days, depending upon years of service. Teamsters and Secretaries receive an additional day of vacation for each year beyond 19 years of service. Administrative personnel earn 20 days vacation leave annually.

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

K. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. The District currently has no contributed capital.

L. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities for proprietary fund operations are accounted for in those funds.

M. Interfund Transactions

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. 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.

O. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for supplies inventory, encumbrances and future appropriations. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

P. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 2. Budgetary Basis of Accounting

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

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

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

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

	General Fund	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$(204,506)	\$247,309	\$1,485,270	\$(1,505)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(141,125)	(297,714)	(4,903)	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(286,231)	(119,960)	(231,089)	2
Due to Other Financing Sources	(104,445)	117,663	0	0
Budget Basis	\$(736,307)	\$(52,702)	\$1,249,278	\$(1,503)

Note 3. Cash and Investments

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

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 3. Cash and Investments (continued)

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

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

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

Monies held by the District which are not considered active are classified as interim. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. 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;

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 3. Cash and Investments (continued)

7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value; and
9. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$7,052,698 and the bank balance was \$7,291,916 of which \$7,261,896 was in a passbook savings account. Of the bank balance: \$130,000 was covered by Federal Depository Insurance. The remainder of the bank balance, \$7,161,916, 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 would potentially subject the District to a successful claim by the FDIC.

Cash on Hand: At fiscal year end, the District had \$454 in undeposited cash on hand which is included on the balance sheet of the District as part of the "equity in pooled cash and cash equivalents."

Investments: GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, requires that local governments disclose the carrying amounts and market value of investments classified by risk. Category 1 includes investments that are insured or registered or are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the District's name.

	1	Category 2	3	Carrying Value	Market Value
Repurchase Agreements	\$0	\$0	\$255,944	\$255,944	\$255,944

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 3. Cash and Investments (continued)

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$7,309,096	\$0
Investments:		
Repurchase Agreements	(255,944)	255,944
Cash on Hand	(454)	0
GASB Statement No. 3	\$7,052,698	\$255,944

Note 4. Property Taxes

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20. If paid semi-annually, the first payment is due January 20, with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year.

Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value.

Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value.

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 4. Property Taxes (continued)

Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Ashtabula County. Tax settlements are made each February and August for real property taxes and each June and October for personal property taxes.

The full tax rate for the fiscal year ended June 30, 2003, was \$4.11 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the 2003 taxes were collected were as follows:

Real Property - Commercial/Industrial	\$262,876,730
Real Property - Residential/Agricultural	1,114,259,610
Real Property - Public Utilities	4,098,400
Personal Property - General	210,233,910
Personal Property - Public Utilities	117,809,380
Total Assessed Value	<u><u>\$1,709,278,030</u></u>

Uncollectible taxes outstanding, available to the District within 60 days after fiscal year end are recorded as receivables at June 30. The receivable is offset by a credit to deferred revenue since the receivables represent taxes recorded in advance of year for which they are intended to finance.

Note 5. Receivables

Receivables at June 30, 2003, consisted of taxes, accounts (student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

Special Revenue Fund	
Local Grants	\$67,053
LPN Grant	2,045
VEPD Grant	6,516
Title VI Grant	4,861
Safe/Drug Free School Grant	1,355
Total Special Revenue Funds	<u>81,830</u>
Proprietary Funds:	
Food Service	4,846
Adult Education Fund-Guaranteed Student Loan	15,429
Total Proprietary Funds	<u>20,275</u>
Grand Total	<u><u>\$102,105</u></u>

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 6. Defined Benefit Pension Plans

A. School Employees Retirement System

The 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 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$147,369, \$134,075 and \$121,698, respectively; 91.54 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$13,214 representing the unpaid contribution for fiscal year 2003, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 6. Defined Benefit Pension Plans (Continued)

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, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. 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 for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$ 621,497, \$ 571,878, and \$ 556,527 respectively; 99.16 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$2,464 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2003 were \$ 3,600 made by the School District and \$ 4,515 made by the plan members.

Note 7. Postemployment Benefits

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

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 cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$44,392 for fiscal year 2003.

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 7. Postemployment Benefits (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002 (the latest information available), the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002 (the latest information available), employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$98,808.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 8. Interfund Transactions

At June 30, 2003, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$346,162	\$0
Special Revenue Funds	0	301,162
Proprietary Funds	0	45,000
	\$346,162	\$346,162

Note 9. Contingencies

A. Grants

The 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

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 9. Contingencies (Continued)

conditions specified in the grant agreements and are 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 District at June 30, 2003.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2003.

Note 10. Segments Information for Enterprise Funds

Key financial data for the District's Enterprise Funds for the year ended June 30, 2003, are as follows:

		Uniform School Supplies Fund	Customer Services Rotary Fund	Adult Education Fund	Total
Operating Revenues	\$116,496	56,810	73,219	821,260	\$1,067,785
Operating Expenses:					
Depreciation	2,892	0	306	3,950	7,148
Other	184,936	99,597	72,641	1,129,962	1,487,136
Total Operating Expenses	<u>187,828</u>	<u>99,597</u>	<u>72,947</u>	<u>1,133,912</u>	<u>1,494,284</u>
Operating Income (loss)	(71,332)	(42,787)	272	(312,652)	(426,499)
Non Operating Revenues and Expenses:					
Operating Grants	42,197	1,460	0	442,950	486,607
Other Sources	(1,352)	0	(224)	(1,250)	(2,826)
Transfers In	0	163,000	26,300	0	189,300
Net Income (loss)	<u>\$(30,487)</u>	<u>121,673</u>	<u>26,348</u>	<u>129,048</u>	<u>\$246,582</u>
Net Working Capital	\$(10,484)	\$106,927	\$92,693	\$497,748	\$686,884
Total Assets	\$85,465	\$117,182	\$94,783	\$583,266	\$880,696
Retained Earnings	\$24,740	\$106,927	\$93,687	\$524,018	\$749,372

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 11. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2003:

Furniture and Equipment	\$172,691
Less Accumulated Depreciation	<u>(111,557)</u>
Net Fixed Assets	<u>\$ 61,134</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2003:

	General Fixed Assets June 30, 2002	Additions	Deletions	General Fixed Assets June 30, 2003
Land and Improvements	\$329,147	0	0	\$329,147
Buildings	4,629,606	41,975	0	4,671,581
Furniture and Equipment	3,053,738	247,296	12,483	3,288,551
Vehicles	218,236	36,231	0	254,467
Total General Fixed Assets	<u>\$8,230,727</u>	<u>324,282</u>	<u>12,483</u>	<u>\$8,543,746</u>

The District had no construction in progress at June 30, 2003.

Note 12. Capital Leases

The District is making installment payments on four copiers. This equipment has been capitalized in the general fixed assets account group. These obligations have an outstanding balance of \$21,077 at June 30, 2003. Payment for the installment purchase obligations as of June 30, 2003, and related interest:

	Principal	Interest	Payment
FY 2004	\$6,915	1,437	\$8,352
FY 2005	7,489	863	8,351
FY 2006	6,673	251	6,924
	<u>\$21,077</u>	<u>2,550</u>	<u>\$23,627</u>

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 13. Risk Management

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The district has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General Liability insurance is maintained in the amount of \$2,000,000 of each occurrence and \$5,000,000 in the aggregate. In addition, the District maintains a \$1,000,000 umbrella liability policy.

The District maintains replacement cost insurance on buildings and contents in the amount of \$21,373,824. The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

B. Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the 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 and Company provides administrative, cost control and actuarial services to the GRP.

Note 14. Jointly Governed Organizations

North East Ohio Management Information Network-(NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 14. Jointly Governed Organizations (continued)

districts, and a treasurer from each county. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Ashtabula County Schools Council of Governments

The District's Superintendent is a member of the governing board of the Ashtabula County Schools Council of Governments, a separate entity formed for the purpose of purchasing health insurance. The District has no ongoing financial interest or financial responsibility to the Council of Governments other than via participation by purchasing health insurance.

Note 15. School Funding Issue

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

Note. 16 Fund Deficits

Fund balances at June 30, 2003, included the following individual fund deficits:

Youth Opportunities Grant	\$ (35,946)
Title II-A Grant	\$ (1,916)
Vocational Education Grant	\$ (69,672)

These deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficits and will take the necessary steps to alleviate them. The general fund is liable for any deficit in the funds and provides operating transfers when cash is required, not when accruals occur.

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Note 17. Statutory Reserves

The District is required by State statute to set aside, annually, in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, the District is no longer required to maintain a budget reserve and has taken action to eliminate this reserve.

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute. The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero; these extra amounts may be used to reduce the set-aside requirement in future years for the textbook reserve. Negative amounts, however, are not presented as being carried forward to the next fiscal year.

	Textbook Reserve	Capital Maintenance Reserve	Total
Set-aside Cash Balance at 6/30/02	\$0	\$0	\$0
Required Set Aside	89,247	89,247	178,494
Offset Credits	0	(349,074)	(349,074)
Qualifying Expenditures	(470,578)	0	(470,578)
Total	\$(381,331)	\$(259,827)	\$(641,158)
Balance Carried Forward to FY04	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
ASHTABULA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF EDUCATION/</u>						
Direct Programs:						
Student Financial Assistance Cluster:						
Federal Family Education Loan Program	n/a	84.032	\$250,775		\$250,775	
Pell Grants	n/a	84.063	337,330		337,330	
Total - U.S. Department of Education - SFA Cluster			588,105		588,105	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	n/a	10.550		\$5,532		\$5,532
National School Lunch Program	LL-P1-02	10.555	12,313		12,313	
	LL-P4-03		23,976		23,976	
Subtotal National Lunch Program			36,289		36,289	
Total U.S. Department of Agriculture - Nutrition Cluster			36,289	5,532	36,289	5,532
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education- State Grant Program	AB-S1-03	84.002	136,735		136,735	
	AB-SL-02		18,929		15,146	
Subtotal - Adult Education - State Grant			155,664		151,881	
Vocational Education-Basic Grants to States	CP-11-S03	84.048	352,198		367,547	
	CP-11-S02		55,955		46,827	
Subtotal - Vocational Education			408,153		414,374	
Title II Eisenhower	MS-S1-02	84.281			440	
Drug Free Schools	DR-S1-03	84.186	297		1,653	
Innovative Educational Program Strategies	C2-S1-02	84.298			353	
	C2-S1-03		615		5,478	
Subtotal - Innovative Educational Program Strategies			615		5,831	
Title II - A Teacher Quality	TR-S1-03	84.367	1,571		3,287	
Total U. S. Department of Education			566,300		577,466	
Totals			\$1,190,694	\$5,532	\$1,201,860	\$5,532

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

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL
ASHTABULA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures is a summary of activity of the Districts federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

Ashtabula County Joint Vocational School
Ashtabula County
1565 State Route 167
Jefferson, Ohio 44047

To The Board of Education:

We have audited the financial statements of Ashtabula County Joint Vocational School District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 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 Ashtabula County Joint Vocational School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted one certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 20, 2004.

Internal Control Over Financial Reporting

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

Ashtabula County Joint Vocational School
Ashtabula County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management, 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

February 20, 2003



Auditor of State Betty Montgomery

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

Ashtabula County Joint Vocational School
Ashtabula County
1565 State Route 167
Jefferson, Ohio 44047

To The Board of Education:

Compliance

We have audited the compliance of Ashtabula County Joint Vocational School, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. Ashtabula County Joint Vocational School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Ashtabula County Joint Vocational School's management. Our responsibility is to express an opinion on Ashtabula County Joint Vocational School's compliance based on our audit.

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

In our opinion, Ashtabula County Joint Vocational School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

This report is intended for the information and use of management, 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

February 20, 2004

**ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL
ASHTABULA COUNTY
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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800-282-0370
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ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

ASHTABULA 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
APRIL 15, 2004**