

Auditor of State
Betty Montgomery

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Warren County Vocational School District
Warren County
3525 North State Route 48
Lebanon, Ohio 45036

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Vocational School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Vocational School District, Warren County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General and Food Service Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements B and Management's Discussion and Analysis B for State and Local Governments.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

February 19, 2004

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Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

The management's discussion and analysis of Warren County Vocational School District's (the "School District") financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the financial statement and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- ✓ Total assets exceeded total liabilities at the close of the most recent fiscal year by \$7.45 million for governmental activities and \$7.52 million overall.
- ✓ General revenues in governmental activities accounted for \$11.25 million in revenue or 80.46 percent of all revenues. Program specific revenues in charges for services and grants and contributions accounted for \$2.73 million or 19.54 percent of \$13.98 million in total governmental activities revenue.
- ✓ The business-type activities were financed through programs revenues of \$.10 million resulting in year end net assets of \$.07 million.
- ✓ At the end of the current fiscal year, cash and cash equivalents of \$3.84 million accounted for 35.77 percent of total assets, excluding capital assets.
- ✓ The School District had \$12.87 million in expenses relating to governmental activities; only \$2.73 million of these expenses were offset by program specific revenues. General revenues were adequate to cover the \$10.14 million net expense of governmental programs.
- ✓ Among major funds, the general fund had \$11.29 million in revenues and \$9.30 in expenditures. The general fund's balance at the close of the current year was 45.56 percent of the current year's expenditures.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
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(unaudited)

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general instruction of secondary students and the associated support for those services. The business-type activities include the education of adults and general customer services for the School District. The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into three categories: governmental, proprietary and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
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(unaudited)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund and food service fund, which are considered major funds. Data from the other twenty governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary Funds. The School District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School District used enterprise funds to account for its customer service. *Internal service fund* is an accounting device used to accumulate and allocate costs among the School District's various functions. The School District used the internal service fund to account for its internal health care coverage. Because this service predominately benefits governmental rather than business-type functions, it has been included within the *governmental activities* in the government-wide financial statements. The proprietary fund statements can be found on pages 22-24.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 25 of this report.

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 27 of this report.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2003 to 2002.

Table 1
Net Assets

	<i>Governmental Activities</i>			<i>Business-Type Activities</i>		
	<i>(In millions)</i>					
	2002	2003	Change	2002	2003	Change
Assets						
Current and Other Assets	\$9.50	\$10.66	\$1.16	\$66,998	\$71,925	\$4,927
Capital Assets	3.90	3.73	(0.17)	3,023	4,117	1,094
Total Assets	13.40	14.39	0.99	70,021	76,042	6,021
Liabilities						
Long-term Liabilities	1.00	0.57	(0.43)	0	0	0
Other Liabilities	6.06	6.37	0.31	2,092	1,491	(601)
Total Liabilities	7.06	6.94	(0.12)	2,092	1,491	(601)
Net Assets						
Invested in Capital Assets, net of depreciation	3.74	3.28	(0.46)	3,023	4,117	1,094
Restricted	0.48	0.77	0.29	0	0	0
Unrestricted	2.12	3.40	1.28	64,906	70,434	5,528
Total Net Assets	\$6.34	\$7.45	\$1.11	\$67,929	\$74,551	\$6,622

The decrease in liabilities for governmental activities relates to the reduction in capital leases and general accounts payable during the fiscal year. The School District's other accounts saw relatively little change from the prior year as the School District maintains controls over the timing of receivables and payables in both governmental and business-type activities.

Warren County Vocational School District
Warren County, Ohio
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(unaudited)

Graph 1 breaks down the School District's governmental activities revenues into percentages by type of revenue.

Graph 1

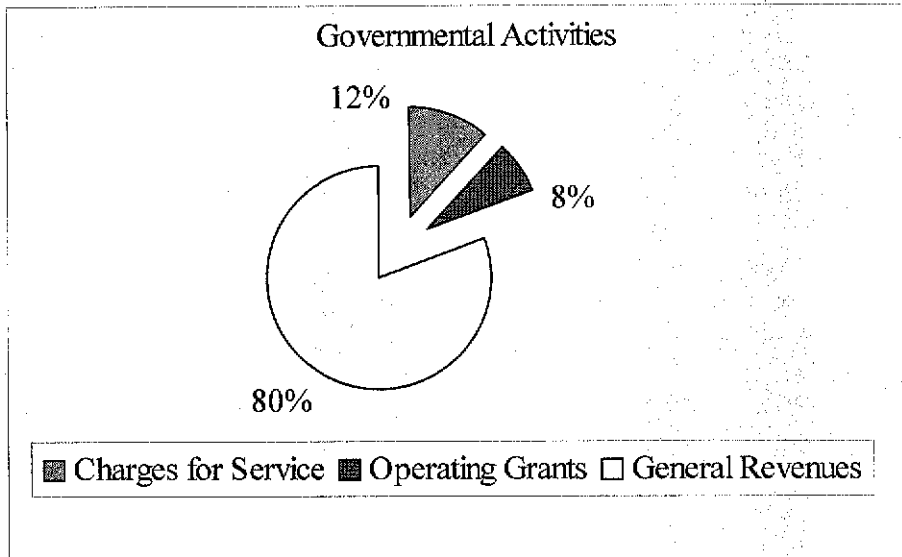


Table 2 details the actual amounts (in thousands) for the School District as a whole.

	Governmental Activities	Business-Type Activities	Primary Government
Program Revenues			
Charges for Services	\$1,653	\$104	\$1,757
Operating Grants and Contributions	1,078	0	1,078
Total Program Revenues	2,731	104	2,835
General Revenues			
Property and Other Taxes	6,815	0	6,815
Payment in Lieu of Taxes	17	0	17
Unrestricted Grants and Contributions	4,338	0	4,338
Investment Earnings	37	0	37
Miscellaneous	38	0	38
Total General Revenues	11,245	0	11,245
All Revenues	\$13,976	\$104	\$14,080

Warren County Vocational School District
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Table 3 present total program expenses and net program expenses for fiscal year 2003.

Table 3
(in thousands)

	<u>Program Expense</u>	<u>Net Program Expense</u>
Program Expenses		
<i>Instruction</i>		
Regular	(\$14)	(\$14)
Special	(65)	(52)
Vocational	(5,788)	(3,743)
Adult/Continuing	(188)	(2)
<i>Support Services:</i>		
Pupil	(1,351)	(1,301)
Instructional Staff	(525)	(421)
Board of Education	(27)	(27)
Administration	(1,010)	(990)
Fiscal	(429)	(429)
Business	(73)	(73)
Operation and Maintenance of Plant	(860)	(858)
Pupil Transportation	(75)	(75)
Central	(2,161)	(2,121)
Operation on Non-Instructional Services	(18)	63
Food Services	(229)	(45)
Extracurricular Activities	(38)	(32)
Interest and Fiscal Charges	(21)	(21)
<i>Total Governmental Activities</i>	<u>(12,872)</u>	<u>(10,141)</u>
Customer Service	<u>(97)</u>	<u>7</u>
<i>Total Business-Type Activities</i>	<u>(97)</u>	<u>7</u>
Total Primary Government	<u>(12,969)</u>	<u>(\$10,134)</u>
Change in Net Assets	<u>1,111</u>	
Ending Net Assets - Total	<u>\$7,521</u>	

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
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(unaudited)

The Major Funds

The School District's major funds start on page 17 for governmental funds. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the School District. The major funds account for 93.87% of the \$13.51 million in total revenue and 91.12% percent of the \$12.16 million in total expenses. The general fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues exceeded expenditures in the general fund creating a year end fund balance of \$4.25 million. The food service fund and adult education received a majority of their revenues from charges for services or fees; however, the funds had losses of \$39,421 and \$315,858, respectively from operations for 2003.

The general fund recognized \$.77 million in current liabilities for fiscal year 2003. Accrued salaries and benefits accounted for 84.63% of those liabilities. The food service fund had a large interfund payable since the fund has lost money for several years now.

One of the School District express purposes is to service the adult community through various programs. The School District served over 7,000 adults during 2003. With \$1.53 million in expenses, the adult education fund is second only to the general fund in expenses the School District incurs on an annual basis.

General Fund Budgetary

Graph 3 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2003.

Graph 3
Original Budget versus Final Budget for General Fund

	Budget	
	Original	Final
<u>Revenues:</u>		
Property and Other Local Taxes	\$5,042,199	\$5,763,377
Intergovernmental	3,790,332	4,332,457
Other	118,199	135,105
Total Revenues	<u>8,950,731</u>	<u>10,230,939</u>

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
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(unaudited)

Graph 3 (continued)

	Budget	
	Original	Final
<u>Expenditures:</u>		
Current:		
Instruction	\$5,279,327	\$5,216,125
Support Services	4,116,962	4,067,673
Other	371,730	367,280
Total Expenditures	9,768,019	9,651,078
Excess (Under)	(817,289)	579,861
<u>Other Financing Sources (Uses):</u>		
Other Financing Sources	355,749	406,558
Other Financing Uses	(1,065,265)	(1,052,512)
Total Other Financing Sources(Uses)	(709,516)	(645,954)
Net Change in Fund Balance	(\$1,526,805)	(\$66,093)

The two major differences in revenue were property and other taxes increasing \$721,178 and intergovernmental revenues \$542,125. The increase between the original and final budget can be explained by the School District budgeting under a conservative approach with the uncertainty of taxes revenues for the School District. The School District also took a no increase approach when predicting school foundation monies (intergovernmental revenue) given the pending litigation the State is under by the Supreme Court rulings.

Final budgeted expenditures were within 99% of the original budgeted expenditures. The expenditures for the School District are more of a certainty with contracts for employees being the largest School District expenditure.

Final Budget versus Actual Results

The School District prepared the final budget towards the end of June 2003 when actual results were known. There is no difference except \$5,482 for a miscellaneous receipt the School District received at the end of June.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
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(unaudited)

Capital Assets

During 2003, the School District saw an increase of \$.41 million invested in land, buildings, equipment, and vehicles. A schedule showing accumulated depreciation and the breakdown of current year depreciation can be found in note 9 of the financial statements. Table 4 shows the breakdown of the individual classes for capital assets (not including accumulated depreciation).

Table 4
Capital Assets

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2002	2003	2002	2003	2002	2003	2002-03
Land	\$456,000	\$456,000	\$0	\$0	\$456,000	\$456,000	0.00%
Buildings and Improvements	6,562,096	6,573,643	0	0	6,562,096	6,573,643	0.17%
Furniture and Equipment	2,806,802	3,113,879	5,811	4,901	2,812,613	3,118,780	10.88%
Vehicles	296,002	367,194	0	0	296,022	367,194	24.04%
Total	\$10,120,900	\$10,510,716	\$5,811	\$4,901	\$10,126,711	\$10,515,617	3.84%

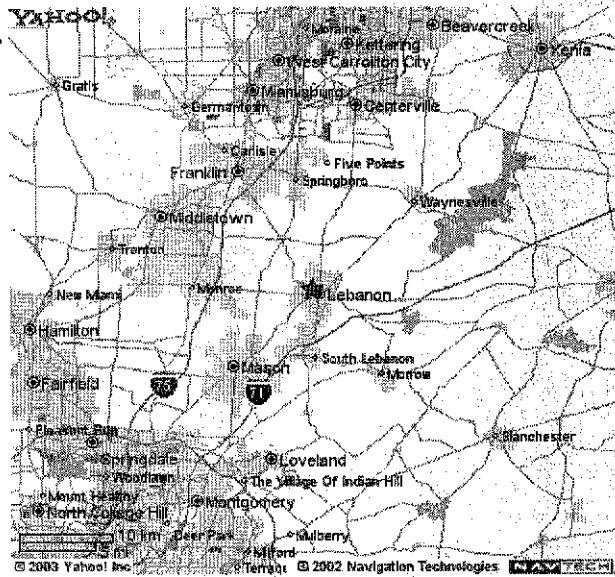
Debt Administration

The School District has no long term general obligation debt. The School District does have a capital lease for \$279,414. The School District leased technology equipment in 2000. For further information on the School District's obligation refer to note 14 of the financial statements.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

Other items impacting the financial strength of the School District

The School District is located within Warren County and benefits from development occurring throughout the County. As one of the fastest growing counties in the State, the School District has seen property assessed valuations increase an average of 11 percent from 2000 to 2003. The School District is better off than last fiscal year given the School District increased net assets by 17 percent during 2003.



Request for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, Warren County VSD, 3529 N. SR 48, Lebanon, Ohio 45036.

Treasurer
Warren County
Vocational School District

Warren County Vocational School District
Warren County, Ohio
Statement of Net Assets
June 30, 2003

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,774,925	\$62,703	\$3,837,628
Receivables:			
Property and Other Taxes	6,622,428	0	6,622,428
Accounts	48,703	5,617	54,320
Accrued Interest	452	0	452
Intergovernmental	41,358	3,771	45,129
Materials and Supplies Inventory	71,707	0	71,707
Internal Balances	166	(166)	0
Prepaid Items	65,371	0	65,371
Restricted Cash and Cash Equivalents	30,312	0	30,312
Capital Assets (net of accumulated depreciation)	3,729,939	4,117	3,734,056
Total Assets	14,385,361	76,042	14,461,403
<u>Liabilities</u>			
Payables:			
Accounts	52,375	1,491	53,866
Intergovernmental	133,868	0	133,868
Salaries and Employee Benefits	745,454	0	745,454
Deferred Revenue	5,111,152	0	5,111,152
Noncurrent Liabilities:			
Due within one year	325,998	0	325,998
Due in more than one year	570,370	0	570,370
Total Liabilities	6,939,217	1,491	6,940,708
<u>Net Assets</u>			
Invested in capital assets, net of related debt	3,285,331	4,117	3,289,448
Restricted for:			
Grants	23,320	0	23,320
State Mandates	30,312	0	30,312
Capital Improvements	712,662	0	712,662
Unrestricted	3,394,519	70,434	3,464,953
Total Net Assets	\$7,446,144	\$74,551	\$7,520,695

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2003

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction:						
Regular	\$14,293	\$0	\$0	(\$14,293)	\$0	(\$14,293)
Special	64,888	13,190	0	(51,698)	0	(51,698)
Vocational	5,787,966	1,348,236	696,641	(3,743,089)	0	(3,743,089)
Adult/Continuing	188,475	33,136	153,079	(2,260)	0	(2,260)
Support Services:						
Pupils	1,351,033	2,142	47,553	(1,301,338)	0	(1,301,338)
Instructional Staff	524,481	0	104,263	(420,218)	0	(420,218)
Board of Education	26,891	0	0	(26,891)	0	(26,891)
Administration	1,009,364	16,199	3,250	(989,915)	0	(989,915)
Fiscal	429,183	0	0	(429,183)	0	(429,183)
Business	73,096	0	0	(73,096)	0	(73,096)
Operation and Maintenance of Plant	860,372	0	2,644	(857,728)	0	(857,728)
Pupil Transportation	74,824	0	0	(74,824)	0	(74,824)
Central	2,160,600	0	39,229	(2,121,371)	0	(2,121,371)
Operation of Non-Instructional Services	17,923	81,167	0	63,244	0	63,244
Food Service	228,795	152,785	31,263	(44,747)	0	(44,747)
Extracurricular Activities	38,318	6,324	0	(31,994)	0	(31,994)
Interest and Fiscal Charges	21,179	0	0	(21,179)	0	(21,179)
Total Governmental Activities	<u>12,871,681</u>	<u>1,653,179</u>	<u>1,077,922</u>	<u>(10,140,580)</u>	<u>0</u>	<u>(10,140,580)</u>
Business-Type Activities:						
Customer Service	97,071	103,693	0	0	6,622	6,622
Total Business-Type Activities	<u>97,071</u>	<u>103,693</u>	<u>0</u>	<u>0</u>	<u>6,622</u>	<u>6,622</u>
Total Primary Government	<u>\$12,968,752</u>	<u>\$1,756,872</u>	<u>\$1,077,922</u>	<u>(10,140,580)</u>	<u>6,622</u>	<u>(10,133,958)</u>
General Revenues:						
Property and Other Taxes				6,814,574	0	6,814,574
Payment in Lieu of Taxes				17,478	0	17,478
Grants and Contributions not restricted to specific programs				4,337,656	0	4,337,656
Unrestricted investment earnings				37,064	0	37,064
Miscellaneous				38,462	0	38,462
Total General Revenues				<u>11,245,234</u>	<u>0</u>	<u>11,245,234</u>
Changes in Net Assets				1,104,654	6,622	1,111,276
Net Assets-Beginning (Restated)				<u>6,341,490</u>	<u>67,929</u>	<u>6,409,419</u>
Net Assets-Ending				<u>\$7,446,144</u>	<u>\$74,551</u>	<u>\$7,520,695</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Balance Sheet - Governmental Funds
June 30, 2003

	General	Food Service	Adult Education	Other Governmental Funds	Total Governmental Funds
Assets and Other Debits					
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,594,194	\$975	\$300,125	\$879,631	\$3,774,925
Receivables:					
Property and Other Taxes	6,622,428	0	0	0	6,622,428
Accounts	16,952	3,124	9,578	19,049	48,703
Interfund	736,531	0	0	13,158	749,689
Accrued Interest	452	0	0	0	452
Intergovernmental	0	3,221	0	38,137	41,358
Prepaid Items	60,141	99	4,409	722	65,371
Materials and Supplies Inventory	69,699	2,008	0	0	71,707
Due from Other Funds	1,969	0	200	0	2,169
Restricted Assets:					
Cash and Cash Equivalents	30,312	0	0	0	30,312
Total Assets	\$10,132,678	\$9,427	\$314,312	\$950,697	\$11,407,114
Liabilities and Fund Balances					
Liabilities					
Payables:					
Accounts	\$6,221	\$649	\$18,861	\$26,644	\$52,375
Due to Local Governments	112,222	1,248	16,645	3,753	133,868
Salaries and Employee Benefits	652,321	9,444	65,452	18,237	745,454
Interfund	0	681,491	20,000	48,032	749,523
Due to Other Funds	200	0	0	1,969	2,169
Deferred Revenue	5,111,152	0	0	38,137	5,149,289
Total Liabilities	5,882,116	692,832	120,958	136,772	6,832,678
Fund Balances:					
Reserved for:					
Encumbrances	212,015	725	0	95,188	307,928
Property Taxes	1,360,000	0	0	0	1,360,000
Inventory	70,083	0	0	0	70,083
Budget Stabilization	30,312	0	0	0	30,312
Unreserved, reported in:					
General	2,578,152	0	0	0	2,578,152
Special Revenue (Deficit)	0	(684,130)	193,354	64,222	(426,554)
Capital Projects	0	0	0	654,515	654,515
Total Fund Balances (Deficit)	4,250,562	(683,405)	193,354	813,925	4,574,436
Total Liabilities and Fund Balances	\$10,132,678	\$9,427	\$314,312	\$950,697	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,729,939
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	38,137
Internal service fund is used by management to charge the cost of benefit insurance to employees	(3,533)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(892,835)
	\$7,446,144

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2003

	General	Food Service	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$6,814,574	\$0	\$0	\$0	\$6,814,574
Intergovernmental	4,332,457	31,262	283,717	550,153	5,197,589
Charges for Services	3,840	149,611	9,694	0	163,145
Tuition and Fees	33,136	0	916,559	81,167	1,030,862
Interest	34,364	0	0	2,254	36,618
Gifts and Donations	0	0	0	37,250	37,250
Payment in Lieu of Taxes	17,618	0	0	0	17,618
Rent	6,324	0	0	0	6,324
Extracurricular Activities	46	0	0	0	46
Miscellaneous	46,028	3,174	4,285	157,324	210,811
Total Revenues	11,288,387	184,047	1,214,255	828,148	13,514,837
Expenditures:					
Current:					
Instruction:					
Regular	2,014	0	0	0	2,014
Special	62,265	0	0	0	62,265
Vocational	4,930,912	0	283,393	344,835	5,559,140
Adult Education	1,356	0	0	173,784	175,140
Support Services:					
Pupils	1,072,416	0	10,487	237,144	1,320,047
Instructional Staff	378,349	0	0	120,696	499,045
Board of Education	25,985	0	0	0	25,985
Administration	587,335	0	328,357	25,413	941,105
Fiscal	405,613	0	0	0	405,613
Business	54,874	0	0	0	54,874
Operation and Maintenance of Plant	793,670	0	0	43,999	837,669
Pupil Transportation	27,634	0	0	55,090	82,724
Central	453,603	0	907,816	46,185	1,407,604
Operation of Non-Instructional Services	9,771	223,468	60	0	233,299
Extracurricular Activities	37,170	0	0	0	37,170
Capital Outlay	309,283	0	0	33,270	342,553
Debt Service:					
Principal Retirement	155,043	0	0	0	155,043
Interest and Fiscal Charges	21,179	0	0	0	21,179
Total Expenditures	9,328,472	223,468	1,530,113	1,080,416	12,162,469
Excess (deficiency) of Revenues Over (Under) Expenditures	1,959,915	(39,421)	(315,858)	(252,268)	1,352,368
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	5,000	0	0	0	5,000
Transfers - In	114,319	13,953	132,312	500,000	760,584
Transfers - Out	(794,009)	0	0	(2,750)	(796,759)
Total Other Financing Sources (Uses)	(674,690)	13,953	132,312	497,250	(31,175)
Net Change in Fund Balances	1,285,225	(25,468)	(183,546)	244,982	1,321,193
Fund Balances (Deficit) - beginning	2,965,337	(657,937)	376,900	568,943	3,252,243
Fund Balances (Deficit) - ending	<u>\$4,250,562</u>	<u>(\$683,405)</u>	<u>\$193,354</u>	<u>\$813,925</u>	<u>\$5,573,436</u>

Amounts reported in governmental activities in the statement of activities are different because:

Net Change in Fund Balances - total governmental funds

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (172,851)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 38,137

Internal service fund is used by management to charge the cost of benefit insurance to employees (136,782)

Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. 54,957

Change in net assets of governmental activities \$1,104,654

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2003

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$5,042,199	\$5,763,377	\$5,763,377	\$0
Intergovernmental	3,790,332	4,332,457	4,332,457	0
Tuition and Fees	28,990	33,136	33,136	0
Interest	51,935	59,363	59,363	0
Rent	5,533	6,324	6,324	0
Customer Services	3,359	3,840	3,840	0
Miscellaneous	28,382	32,442	37,924	5,482
Total Revenues	8,950,731	10,230,939	10,236,421	5,482
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,038	2,014	2,014	0
Special	63,896	63,131	63,131	0
Vocational	5,213,393	5,150,980	5,150,980	0
Support Services:				
Pupils	1,078,725	1,065,811	1,065,811	0
Instructional Staff	389,570	384,906	384,906	0
Board of Education	21,852	21,590	21,590	0
Administration	828,085	818,171	818,171	0
Fiscal	408,514	403,623	403,623	0
Business	55,199	54,538	54,538	0
Operation and Maintenance of Plant	839,810	829,756	829,756	0
Pupil Transportation	29,723	29,367	29,367	0
Central	465,484	459,911	459,911	0
Operation of Non-				
Instructional Services	9,889	9,771	9,771	0
Extracurricular Activities	38,588	38,126	38,126	0
Capital Outlay	323,253	319,383	319,383	0
Total Expenditures	9,768,019	9,651,078	9,651,078	0
Excess of Revenues Over (Under) Expenditures	(817,289)	579,861	585,343	5,482
<u>Other Financing Sources (Uses):</u>				
Other Financing Sources	15,413	17,618	17,618	0
Proceeds from Sale of Fixed Assets	4,374	5,000	5,000	0
Refund of Prior Year Expenditures	2,765	3,161	3,161	0
Refund of Prior Year Receipts	481	475	475	0
Advances In	232,702	265,985	265,985	0
Advances Out	(261,635)	(258,503)	(258,503)	0
Transfers In	100,014	114,319	114,319	0
Transfers Out	(803,630)	(794,009)	(794,009)	0
Total Other Financing Sources (Uses)	(709,516)	(645,954)	(645,954)	0
Net Change in Fund Balance	(1,526,804)	(66,093)	(60,611)	5,482
Fund Balances at Beginning of Year	2,347,417	2,347,417	2,347,417	0
Prior Year Encumbrances Appropriated	123,984	123,984	123,984	0
Fund Balances at End of Year	\$944,597	\$2,405,308	\$2,410,790	\$5,482

See accompanying notes to the basic financial statements.

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Food Service Fund
For the Fiscal Year Ended June 30, 2003

	Food Service			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$26,025	\$29,851	\$29,851	\$0
Customer Services	130,477	149,661	149,661	0
Total Revenues	<u>156,502</u>	<u>179,512</u>	<u>179,512</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Operation of Non- Instructional Services	219,400	227,946	227,946	0
Total Expenditures	<u>219,400</u>	<u>227,946</u>	<u>227,946</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(62,898)	(48,434)	(48,434)	0
<u>Other Financing Sources:</u>				
Advances In	11,334	13,000	13,000	0
Transfers In	12,164	13,953	13,953	0
Total Other Financing Sources	<u>23,498</u>	<u>26,953</u>	<u>26,953</u>	<u>0</u>
Net Change in Fund Balance	(39,400)	(21,481)	(21,481)	0
Fund Balances at Beginning of Year	21,731	21,731	21,731	0
Fund Balances (Deficit) at End of Year	<u>(\$17,669)</u>	<u>\$250</u>	<u>\$250</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Adult Education Fund
For the Fiscal Year Ended June 30, 2003

	Adult Education			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$307,377	\$283,717	\$283,717	\$0
Tuition and Fees	993,119	916,675	916,675	0
Miscellaneous	4,527	4,178	4,178	0
Total Revenues	1,305,023	1,204,570	1,204,570	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Vocational	279,641	251,737	251,737	0
Support Services:				
Pupils	11,649	10,487	10,487	0
Administration	371,766	334,669	334,669	0
Central	1,072,722	965,680	965,680	0
Operation of Non-Instructional Services	228	205	205	0
Capital Outlay	178	160	160	0
Total Expenditures	1,736,184	1,562,938	1,562,938	0
Excess of Revenues (Under) Expenditures	(431,161)	(358,368)	(358,368)	0
<u>Other Financing Sources (Uses):</u>				
Advances In	81,471	75,200	75,200	0
Advances Out	(89,201)	(80,300)	(80,300)	0
Transfers In	273,873	252,792	252,792	0
Transfers Out	(133,836)	(120,481)	(120,481)	0
Total Other Financing Sources (Uses)	132,307	127,211	127,211	0
Net Change in Fund Balance	(298,854)	(231,157)	(231,157)	0
Fund Balances at Beginning of Year	376,573	376,573	376,573	0
Prior Year Encumbrances Appropriated	92,169	92,169	92,169	0
Fund Balances at End of Year	\$169,888	\$237,585	\$237,585	\$0

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Customer Service Fund	Governmental Internal Service Fund
	<u> </u>	<u> </u>
<u>Assets</u>		
<i>Current Assets</i>		
Equity in Pooled Cash and Cash Equivalents	\$62,703	\$0
Receivables:		
Accounts	5,617	0
Intergovernmental	<u>3,771</u>	<u>0</u>
Total Current Assets	<u>72,091</u>	<u>0</u>
<i>Noncurrent Assets</i>		
Capital Assets (net of accumulated depreciation)	<u>4,117</u>	<u>0</u>
Total Assets	<u>\$76,208</u>	<u>\$0</u>
<u>Liabilities</u>		
<i>Current Liabilities</i>		
Payables:		
Accounts	\$1,491	\$0
Interfund	<u>166</u>	<u>0</u>
Total Current Liabilities	<u>1,657</u>	<u>0</u>
<i>Noncurrent Liabilities</i>		
Claims	<u>0</u>	<u>3,533</u>
Total Liabilities	<u>1,657</u>	<u>3,533</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,117	0
Unrestricted (Deficit)	<u>70,434</u>	<u>(3,533)</u>
Total Net Assets	<u>\$74,551</u>	<u>(\$3,533)</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2003

	Customer Service Fund	Governmental Internal Service Fund
<u>Operating Revenues:</u>		
Charges for Services	\$103,682	\$417,700
Other	11	229
Total Operating Revenues	<u>103,693</u>	<u>417,929</u>
<u>Operating Expenses:</u>		
Salaries	863	0
Fringe Benefits	131	0
Purchased Services	0	144,829
Materials and Supplies	95,372	446,488
Depreciation	705	0
Total Operating Expenses	<u>97,071</u>	<u>591,317</u>
Operating Income (Loss)	6,622	(173,388)
<u>Non-Operating Revenues:</u>		
Interest	0	431
Total Non-Operating Revenues	<u>0</u>	<u>431</u>
Income (Loss) Before Transfers	6,622	(172,957)
Transfers In	0	36,175
Change in Net Assets	6,622	(136,782)
Net Assets - Beginning of Year	<u>67,929</u>	<u>133,249</u>
Net Assets - End of Year	<u>\$74,551</u>	<u>(\$3,533)</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003

	Customer Service Fund	Governmental Internal Service Fund
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>		
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$99,963	\$417,700
Cash Payments to Suppliers for Goods and Services	(95,973)	(144,829)
Cash Payments to Employees for Services	(994)	0
Cash Payments for Claims	0	(504,126)
Cash Received from Other Operating Revenues	11	229
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>3,007</u>	<u>(231,026)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>		
Short Term Loan (Repayment)	166	0
Transfers In	0	36,175
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>166</u>	<u>36,175</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Payments for Capital Acquisitions	(1,799)	0
<i>Net Cash Used For Capital and Related Financing Activities</i>	<u>(1,799)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>		
Interest	0	431
<i>Net Cash Provided by Investing Activities</i>	<u>0</u>	<u>431</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	1,374	(194,420)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>61,329</u>	<u>194,420</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$62,703</u>	<u>\$0</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>		
Operating Income (Loss)	6,622	(173,388)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:</u>		
Depreciation	705	0
<u>Changes in Assets and Liabilities:</u>		
Decrease in Accounts Receivable	52	0
Increase in Prepaids	(3,771)	0
Decrease in Accounts Payable	(601)	0
Decrease in Claims Payable	0	(57,638)
<i>Total Adjustments</i>	<u>(3,615)</u>	<u>(57,638)</u>
<i>Net Cash Used for Operating Activities</i>	<u>\$3,007</u>	<u>(\$231,026)</u>

See accompanying notes to the basic financial statements

**Warren County Vocational School District
Warren County, Ohio
Statement of Fiduciary Assets and Liabilities -
Fiduciary Funds
June 30, 2003**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$38,118</u>
<u>Liabilities</u>	
Due to Students	<u>38,118</u>
Total Liabilities	<u>\$38,118</u>

See accompanying notes to the basic financial statements

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WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Warren County Vocational School District (the "School District") is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board of Education. The Board of Education is not directly elected. The Board of Education is comprised of members of other elected boards who, by charter, also serve as board members of the Warren County Vocational School District. None of the school districts that appoint Board members are financially accountable for the School District nor do any appoint a voting majority of the Board.

The School District employs 90 certified and 24 classified staff members who serve approximately 1,098 secondary students and 7,023 adult students. A vocational school exposes high school and adult students to academic preparation and job training which leads to employment and/or further education upon graduation from high school.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, adult education, preschool and student related activities of the School District.

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

The School District is associated with three organizations, two jointly governed organizations and one insurance purchasing pool. These organizations are the Southwest Ohio Computer Association, the Jewell Education Foundation, and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. These organizations are discussed in Notes 17 and 18.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

Fund Accounting

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

Governmental Funds

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

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *food service fund* accounts for the financial transaction related to food service operation. It accounts for all food service charges for services, state and federal grants specific to the fund service activity, as well as related food service expenditures.

The *adult education fund* accounts for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from residents and students and reimbursements from the State Department of Education.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following major proprietary fund:

The *customer service fund* accounts for transactions made in connection with goods and services provide by the School District. As an example, this fund is used to account for receipts and purchases made in connection, but not limited to, culinary training, landscape services and aviation.

Additionally, the District reports the following fund types:

Internal Service Fund accounts for the financing of the self-insured benefits plan provided by the District to the employees on a cost reimbursement basis.

Fiduciary Agency Funds reporting focuses on net assets and changes in net assets. The District maintains two fiduciary funds, agency funds known as the Pell Grant and Student Activities Funds. The Pell Grant fund accounts for grant proceeds and disbursement to various students within the District. The Student Activities fund was established to account for revenues generated by student managed activities. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (although no such grants or contributions were received for the year ending June 30, 2003). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the customer service and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service fund include the cost of sales, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

C. Budgetary Data

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 expressed 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 Warren County Budget Commission for rate determination.

Estimated Resources:

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The School District has chosen to present the budgetary statements in the basic financial statements at the fund and function level even though the legal level of control is at the fund level.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The final budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts.

Encumbrances:

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

Lapsing of Appropriations:

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

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

During the current fiscal year, investments were limited to nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit, which are reported at cost. The School District held none of these investments at year-end.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the current fiscal year amounted to \$34,364, with \$11,568 assigned from other funds. The permanent improvement capital projects fund and internal service fund also received interest of \$2,254 and \$431, respectively.

For purpose of the statement of cash flows and for the presentation on the statement of net assets and fund balance sheets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. At year-end, the School District held only deposits.

E. Inventory (Materials and Supplies)

Inventories are valued at lower of cost (first-in, first-out method) or market and are determined by physical count. Inventories consist of donated food, purchased food and school supplies held for resale and are expensed when used.

F. Capital Assets

Capital assets, which include property, plant, equipment, and vehicles, are reported on the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.) which could be required to be capitalized. The School District has no infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles and Equipment	5-15

G. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from transaction-like activities between a government's various funds are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net assets and consolidated columns for the governmental balance sheet.

H. Compensated Absences

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

The School District records a liability for accumulated unused sick leave for all employees after 20 years of current service with the School District. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, contractually required pension contributions that will be paid from governmental funds are reported as a liability on the statement of net assets to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Capital leases payable are reported as a liability on the statement of net assets. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchase funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

K. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally separated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure in the governmental fund balance sheet. Fund balances represent the difference between assets and liabilities in the Balance Sheet - Governmental Funds, while unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, inventory and budget stabilization.

L. Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 19 for calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

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

O. Exchange/Non-Exchange Transactions

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

Non-exchange transactions, in which the School 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 fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Estimates

The preparation of the 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 statements.

Q. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$892,835) difference are as follows:

Capital Lease Payable	(\$279,414)
Long Term Pension Obligation	(7,094)
Compensated Absences	<u>(606,327)</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>(\$892,835)</u></u>

Another element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund." The details of \$3,729,939 difference are as follows:

Capital Assets	\$10,510,716
Accumulated Depreciation	<u>(6,780,777)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$3,729,939</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states that "Repayment of long-term obligations is reported as an expenditure in government funds, the repayment reduces long-term liabilities in the statement of net assets." The details of this \$54,957 are as follows:

Change in Benefit Balances	(\$4,034)
Principal reduction on lease obligation	155,043
Change in SERS Obligation and Leave Balances	<u>(96,052)</u>
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$54,957</u></u>

Another element of that reconciliation states that "Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense." The details of this (\$172,851) are as follows:

Current capital additions	\$393,238
Depreciation Expense	<u>(566,089)</u>
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>(\$172,851)</u></u>

NOTE 3 - BASIC FINANCIAL STATEMENT PRESENTATION

For fiscal year 2003, the School District has implemented the following GASB Statements:

- GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*"
- GASB Statement No. 37, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus.*"
- GASB Statement No. 38, "*Certain Financial Statement Note Disclosures.*"
- GASB Statement No. 41, "*Budgetary Comparison Schedules - Perspective Differences.*"

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 3 - BASIC FINANCIAL STATEMENT PRESENTATION (continued)

- GASB Interpretation No. 6, *“Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”*

GASB Statements No. 34, No. 37, No. 38 and No. 41 create and amend new basic financial statements and note disclosure for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation had the following effect of the School District’s various fund balances and net assets for fiscal year ended June 30, 2002:

	Special Revenue	Expendable Trust	Enterprise	Governmental Activities
6/30/02 Fund Balance/Net Assets	\$141,243	\$6,449	(\$108,142)	\$3,525,239
Fund Reclassification	(265,546)	(6,449)	181,327	(271,995)
Long Term Liabilities Allocated	0	0	0	(513,337)
Capital Asset, net depreciation	0	0	0	3,902,790
Capital Leases Payable	0	0	(5,256)	(434,456)
Internal Service Fund	0	0	0	133,249
Restated 6/30/02 Fund Balance/Net Assets	<u>(\$501,203)</u>	<u>\$0</u>	<u>\$67,929</u>	<u>\$6,341,490</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

Budgetary Basis of Accounting:

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for major funds with required budgetary supplemental information. Only the general and major special revenue funds are reported for comparison.

Net Change in Fund Balance
Major Funds

	General Fund	Food Service Fund	Adult Education Fund
GAAP Basis	\$1,285,225	(\$25,468)	(\$183,546)
Adjustments:			
Revenue Accrual	(1,030,712)	(4,535)	(9,685)
Expenditure Accrual	(108,888)	(3,753)	29,714
Advances	7,482	13,000	(5,100)
Encumbrances	(213,718)	(725)	(62,540)
Budget Basis	<u>(\$60,611)</u>	<u>(\$21,481)</u>	<u>(\$231,157)</u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2003

NOTE 5 - ACCOUNTABILITY

At June 30, 2003 the following fund had deficit fund balances:

Major Fund

Food Service Fund	\$683,405
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Nonmajor Funds:

Emily Jones Home Grant Fund	12,306
Adult Education Full Service Fund	2,700
Career Education Fund	6,493
School to Work Fund	3,750
Vocational Education Fund	3,277

The deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit provides operating transfers when cash is required, not when accruals occur. The School District is monitoring the sales in the food service fund to see if an increase in charges is necessary.

NOTE 6 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and fund balance sheets as "equity in pooled cash and cash equivalents." State Statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies that are required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies - Those monies not required for use within the current two-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Monies - 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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 6 - EQUITY IN POOLED CASH AND INVESTMENT (continued)

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

State legislation permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies; and,
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 6 - EQUITY IN POOLED CASH AND INVESTMENT (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year-end the carrying amount of the District's deposits was \$3,906,058 and the bank balance of deposits was \$4,100,636. Of the bank balance, \$323,064 was covered by federal depository insurance, \$1,303,664 was covered by pledged collateral and the remaining \$2,473,908 was covered by a pool of collateral securities. The remaining amounts were uninsured and uncollateralized as defined by GASB. Although the securities were held by the pledging financial institutions' trust department in the District's name and all statutory requirements for the investment of the money had been followed, noncompliance with the federal requirements would potentially subject the money held in the District's name to a successful claim by the FDIC.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2003 were based, are as follows:

	2002 First- Half Collections		2003 Second- Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,213,418,340	86.62%	\$2,347,040,570	86.61%
Public Utility Personal	95,853,290	3.75	108,808,920	4.02
Tangible Personal Property	246,148,025	9.63	254,125,570	9.37
Total Assessed Value	<u>\$2,555,419,655</u>	<u>100.00%</u>	<u>\$2,709,975,060</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.50		\$4.50	

Property taxes are levied and assessed on a calendar year basis. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by February 27. If paid semi-annually, the first payment (at least one-half of amount billed) was due February 27, with the remainder due on July 24.

The County Auditor remits portions of the taxes collected with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property taxes in June and October to all taxing districts.

The District received property taxes from the County Auditor. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003 are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, accounts (tuition and student fees), interfund, intergovernmental (grants and rentals), charges for services, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
Food Service	<u>\$3,221</u>
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Adult Education Full Service Grant	2,700
Career Education Grant	6,493
Eisenhower Grant	62
Vocational Educational Grant	<u>28,882</u>
Total Nonmajor Governmental Funds	<u>38,137</u>
Enterprise Fund:	
Customer Service	<u>3,771</u>
Total	<u><u>\$45,129</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 07/01/02	Increases	Decreases	Balance 6/30/03
Governmental Activities				
Capital Assets, not depreciated				
Land	\$456,000	\$0	\$0	\$456,000
Capital Assets, being depreciated				
Buildings and Improvements	6,562,096	11,547	0	6,573,643
Furniture and Equipment	2,806,802	310,499	(3,422)	3,113,879
Vehicles	296,002	71,192	0	367,194
Total at Historical Cost	<u>10,120,900</u>	<u>393,238</u>	<u>(3,422)</u>	<u>10,510,716</u>
Less Accumulated Depreciation	<u>(6,218,110)</u>	<u>(566,089)</u>	<u>3,422</u>	<u>(6,780,777)</u>
Governmental Activities Capital Assets, Net	<u><u>\$3,902,790</u></u>	<u><u>(\$172,851)</u></u>	<u><u>\$0</u></u>	<u><u>\$3,729,939</u></u>
Business-Type Activities				
Capital Assets, being depreciated				
Furniture and Equipment	\$3,102	\$1,799	\$0	\$4,901
Less Accumulated Depreciation	<u>(79)</u>	<u>(705)</u>	<u>0</u>	<u>(784)</u>
Business-Type Activities Capital Assets, Net	<u><u>\$3,023</u></u>	<u><u>\$1,094</u></u>	<u><u>\$0</u></u>	<u><u>\$4,117</u></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Instruction:	
Special	\$701
Vocational	242,733
Adult Education	4,490
Support Services:	
Pupils	10,534
Administration	43,834
Fiscal	2,825
Business	13,070
Operation and Maintenance of Plant	31,167
Pupil Transportation	29,225
Central	187,510
Total Depreciation Expense	<u><u>\$566,089</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2003, the School District contracted with the Insurance Associates for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate. Vehicles are covered under a business policy with Nationwide which carries a \$250 deductible and a \$1,000,000 limit on any accident.

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

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), and insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

The School District provided an option for medical/surgical benefits (PPO) through a self-insurance internal service fund, administered by Custom Design Benefits through January 31, 2003, when the District changed to Anthem for health care coverage. The School District paid into the self-insurance internal service fund \$498.75 for family coverage or \$188.10 for individual coverage per month on medical and \$645.60 for family coverage and \$258.09 for individual coverage through Anthem, both of which represents ninety-five percent of the premium required. The District also provides dental, vision and life coverage to the employees at a cost of \$96.14 for family coverage and \$49.15 for individual coverage.

The claims liability of \$3,533 reported in the internal service fund and governmental activities column on statement on net assets at June 30, 2003 is based on an estimate provided by Harrington Benefit Services and the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT (continued)

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2002	\$29,156	\$521,783	\$489,768	\$61,171
2003	61,171	446,488	504,126	3,533

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%. A portion of the School District's contribution is used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 2003, 2002, and 2001, were, \$103,309, \$68,453, and \$162,278, respectively; 89 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$11,118 representing the unpaid contribution for fiscal year 2003. The current portion of the liability is recorded as a liability within the respective funds and the entire liability on the government-wide statements.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available 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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 1% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2003, 2002, and 2001, were \$772,349, \$532,702, and \$699,513, respectively; 92 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$60,929 represents the unpaid contribution for fiscal year 2003 and is recorded as a liability within the respective funds.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employee Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$59,411 during the 2003 fiscal year.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 12 - 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 \$47.9 billion. At June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,000 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$80,814.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 were \$182,046,777 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 50,000 participants currently receiving health care benefits.

NOTE 13 - COMPENSATED ABSENCES

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days. Upon retirement, payment shall be made for accrued but unused sick days on the basis of 25 percent of member's actual accumulated sick leave days to a maximum of 56 days.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2000, the School District entered into a capitalized lease for the acquisition of technology equipment. The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2003 totaled \$155,043 and interest payments of \$21,179.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 14 - CAPITALIZED LEASES – LESSEE DISCLOSURE (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2004	\$176,222
2005	122,500
Total	298,722
Less: Amount Representing Interest	(19,308)
Present Value of Net Minimum Lease Payments	<u>\$279,414</u>

NOTE 15 - LONG-TERM LIABILITIES

The changes in the School District's long-term obligations (non-current liabilities) during the year consist of the following:

	<u>Restated Obligation June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Obligation Outstanding June 30, 2003</u>	<u>Amounts Due in One Year</u>
Governmental Activities					
Compensated Absences	\$507,338	\$274,120	\$175,131	\$606,327	\$152,770
Claims Payable	61,171	446,488	504,126	3,533	3,533
Intergovernmental Payable	3,061	7,094	3,061	7,094	7,094
Capital Leases Payable	434,457	0	155,043	279,414	162,601
Total Governmental	<u>\$1,006,027</u>	<u>\$727,702</u>	<u>\$837,361</u>	<u>\$896,368</u>	<u>\$325,998</u>

The School District's overall legal debt margin was \$243,897,755 with an energy conservation debt margin of \$24,389,776 and an unvoted debt margin of \$2,709,975 at June 30, 2003.

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents the contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. Capital leases and claims payable will be paid from the General fund.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2003

NOTE 16 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2003, consist of the following individual receivables and payables and operating transfers in the governmental and proprietary fund balance sheets (such amounts are removed from consolidated columns in the statement of net assets):

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$736,531	\$0	\$114,319	\$794,009
Food Service	0	681,491	13,953	0
Adult Education	0	20,000	132,312	0
Nonmajor Funds				
Special Revenue	0	48,032	0	2,750
Capital Projects	13,158	0	500,000	0
Internal Service	0	0	36,175	0
Enterprise	0	166	0	0
Total All Funds	<u>\$749,689</u>	<u>\$749,689</u>	<u>\$796,759</u>	<u>\$796,759</u>

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and educational service centers within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The School District paid \$25,917 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

The School District is a participant in the Jewell Education Foundation, which is a jointly governed educational foundation established to benefit the school districts in Warren County. The Foundation was created to promote and assist in funding through soliciting grants and charitable contributions for distributions to member educational institutions of participating school districts. The governing board is made up of the Warren County Vocational School District superintendent, one member of the 1999 Warren County Vocational School District Board of Education, not on the current board, and one member submitted by each participating school district. The district made no financial contribution to the Foundation. Financial information can be obtained from the Director of Planned Giving, Rick Wood, at P. O. Box 854, Lebanon, Ohio 45036.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2003

NOTE 18 - INSURANCE PURCHASING POOL

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen-member committee consisting of various Educational Purchasing Council representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - STATUTORY RESERVES

As stated in H.B. 412 the District is required to maintain through reserves; one for textbooks; one for capital acquisitions; and one for budget stabilization. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Carryover Balance as of June 30, 2002	(\$550,837)	\$0	\$30,312	(\$520,525)
Current Year Set-aside Requirement	84,593	84,593	0	169,186
Offsets	0	(500,000)	0	(500,000)
Qualifying Disbursements	(715,638)	(581,437)	0	(1,297,075)
Total	(1,181,882)	(996,844)	30,312	
Set-aside Carryover Balance as of June 30, 2003	(\$1,181,882)	\$0	\$30,312	
Total Restricted Assets				\$30,312

Although the School District had qualifying disbursements during the year that reduced the capital acquisition and textbook set-aside amounts to below zero, only the amount for the textbooks set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year. The total reserve balance for the three set-asides at the end of the fiscal year was \$30,312.

NOTE 20 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding 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 School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2003

NOTE 21 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

Litigation:

As of June 30, 2003, the School District did not have any pending litigation.

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN 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.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	\$0	\$7,096	\$0	\$7,996
National School Breakfast Program	05PU-2003	10.553	1,784	0	1,784	0
National School Lunch Program	LLP4-2002 LLP4-2003	10.555	5,804 <u>21,031</u>	0 <u>0</u>	5,804 <u>21,031</u>	0 <u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>28,619</u>	<u>7,096</u>	<u>28,619</u>	<u>7,996</u>
U.S. DEPARTMENT OF EDUCATION						
Pell Grant	None	84.063	48,893	0	52,217	0
<i>Passed Through Ohio Department of Education:</i>						
Adult Basic Literacy Grant	ABS1-02/03	84.002	137,503	0	134,407	0
Vocational Education Basic Grant	20A0-2001/02 20C1-2003	84.048	28,600 163,664	0 0	26,355 190,067	0 0
Eisenhower Grant	MSS1-01/02	84.281	323	0	1,690	0
Title II-A, Improving Teacher Quality	TRS1-2003	84.367	3,445	0	3,445	0
Title V Innovative Programs	C2S1-2003	84.298	3,461	0	3,461	0
Title IV-SDFSC	DRS1-2003	84.186	1,942	0	1,942	0
Total U.S. Department of Education			<u>387,831</u>	<u>0</u>	<u>413,584</u>	<u>0</u>
U.S. DEPARTMENT OF LABOR						
<i>Passed Through Warren County:</i>						
Workforce Investment Act	None	17.255	158,984	0	168,043	0
Total U.S. Department of Labor			<u>158,984</u>	<u>0</u>	<u>168,043</u>	<u>0</u>
TOTAL FEDERAL ASSISTANCE			<u>\$575,434</u>	<u>\$7,096</u>	<u>\$610,246</u>	<u>\$7,996</u>

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

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

Warren County Vocational School District
Warren County
3529 North State Route 48
Lebanon, Ohio 45036

To the Board of Education:

We have audited the financial statements of the Warren County Vocational School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 19, 2004, in which we noted that the District adopted Governmental Accounting Standards Board Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings as item 2003-001. We also noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 19, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-002 through 2003-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

This report is intended for the information and use of the audit committee, 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 19, 2004



Auditor of State Betty Montgomery

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

Warren County Vocational School District
Warren County
3529 North State Route 48
Lebanon, Ohio 45036

To the Board of Education:

Compliance

We have audited the compliance of Warren County Vocational School District, Warren County, Ohio (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. The District'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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District'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 the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 19, 2004

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Vocational Education – Basic Grants to State CFDA : 84.048
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2003-001

Finding for Recovery

In March 2000, the Technology Director, Mr. William Click, was told by Dr. Roessner, Superintendent, to cancel the District's Sprint cellular phone service. There were 15 phones assigned to various employees of the District. All cell phones were turned in to Bill Click between December 1999 and August 2000. The District continued to be billed and paid for this service until February 2003.

May-00	\$0.00
June-00	0.00
July-00	700.77
August-00	1,410.13
September-00	1,421.29
October-00	727.02
November-00	18.23
December-00	0.00
January-01	700.05
February-01	1,425.00
March-01	712.50
April-01	0.00
May-01	712.50
June-01	0.00
July-01	1,423.51
August-01	712.50
September-01	712.50
October-01	1,425.00
November-01	712.50
December-01	0.00
January-02	1,427.97
February-02	712.50
March-02	712.50
April-02	0.00
May-02	1,425.00
June-02	712.89
July-02	1,720.84
August-02	714.92
September-02	0.00
October-02	1,100.91
November-02	0.00
December-02	1,552.91
January-03	0.00
February-03	1,938.14
Total	<u><u>\$24,832.08</u></u>

FINDING NUMBER 2003-001
(Continued)

Finding for Recovery

The phone bills from Sprint were obtained and reviewed to determine the total amount paid after the account should have been closed. According to a review of the bills, there were many calls over several months, to Bill Click's relatives, former residence and his Verizon cell phone. The County Prosecutor determined that all phone charges should be charged against Bill Click because all phones were turned into him and service was never terminated; therefore, the District received monthly fees. Mr. Click was indicted by the grand jury under Ohio Revised Code Section 2921.41, Theft in Office and Ohio Revised Code Section 2913.02, Grand Theft on November 7, 2003.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Mr. William Click, and in favor of the Warren County Vocational School District in the amount of twenty-four thousand, eight hundred thirty-two dollars (\$24,832).

FINDING NUMBER 2003-002

Reportable Condition

The Warren County Vocational School District has delegated insurance claims processing, which is a significant accounting function, to a third-party administrator. The District has not established procedures to reasonably determine that insurance claims have been completely and accurately processed in accordance with the insurance contract.

We recommend that the District implement procedures to reasonably assure the completeness, and accuracy (including eligibility and allowability) of insurance claims processed by their third-party administrator. Statement on Auditing Standards No. 70 (SAS 70) as amended by SAS's No. 78 and 88, prescribes testing and reporting standards for audits of claims processing controls which should satisfy this requirement. As described in those Statements, we suggest that the District obtain a "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from the third-party administrator. Such a report, if unqualified, would provide evidence to the District's management that insurance claims were being processed in conformance with the contract.

The District discontinued usage of this third-party administrator in February 2003.

FINDING NUMBER 2003-003

Reportable Condition

The existence of effective internal controls over the expenditure process is an important and necessary part of ensuring that only proper and authorized expenditures are made on behalf of the Warren County Vocational School District. Internal controls over purchasing were not in place or were not operating effectively for the audit period. The following was noted during testing of expenditures:

- The Technology Director was instructed to cancel the District's cellular phone service with Sprint in March 2000, but failed to do so. The District continued to receive and pay the monthly bills for this service until February 2003.

The lack of internal control resulted in the unauthorized use of services and the misappropriation of Warren County VSD assets not being detected within in a reasonable period of time. Proper documentation and review is necessary to ensure that monies are disbursed for a proper public purpose and for management to determine if monies were disbursed consistent with its wishes.

**FINDING NUMBER 2003-003
(Continued)**

When outside services are discontinued, the Treasurer's office should be notified. Also, a thorough review of all supporting documentation needs to be made before a voucher is drawn.

3. FINDINGS FOR FEDERAL AWARDS

None.

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10483-001	Repaid under audit.	Yes	
2002-10483-002	Third Party Administrator SAS-70	No	The District used the current new third party administrator who did not have a SAS 70 until February 2003. The District was not self-insured after February 2003. Reissued as Finding 2003-002.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

WARREN 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**