



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

**REGULAR AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**



**Auditor of State  
Betty Montgomery**



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

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## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Southern Hills Joint Vocational School District, Brown County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, 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, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2002, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund 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, 2002, the Government implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2003 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 applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

January 13, 2003

***Southern Hills Joint Vocational School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*  
*Unaudited*

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As management of the Southern Hills Joint Vocational School District, we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2002. We encourage readers to consider the information presented here, in conjunction with additional information we have provided notes to the financial statements and financial statements to enhance their understanding of the School District's financial performance.

This discussion and analysis of Southern Hills Joint Vocational School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2002. The Southern Hills Joint Vocational 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.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 1999.

**Financial Highlights**

- In total, net assets increased \$1,034,328. Net assets of governmental activities increased \$962,003 and net assets of business-type activities increased by \$72,325.
- General revenues accounted for \$4,311,188 in revenue or 71 percent of all total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,763,898 or 29 percent of total revenues of \$6,075,086.
- The School District had \$4,711,098 in expenses related to governmental activities; only \$1,496,913 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily grants, entitlements and property taxes) of \$4,311,188 were used to provide for these programs along with cash balances from the prior year.

***Southern Hills Joint Vocational School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*  
*Unaudited*

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### **Using the Basic Financial Statements**

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Southern Hills Joint Vocational School District as a financial whole, an entire operating entity.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The major funds for the Southern Hills Joint Vocational School District are the general fund, the vocational education equipment capital projects fund, and the adult education enterprise fund.

### **Reporting the School District as a Whole**

One of the most important questions asked about the School District is "How did we do financially during 2002?"

The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.



***Southern Hills Joint Vocational School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*  
*Unaudited*

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

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extra-curricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's adult education program, customer services and uniform school supplies are reported as business activities.

### **Reporting the School District's Most Significant Funds**

#### **Fund Financial Statements**

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

***Proprietary Funds*** - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

***Southern Hills Joint Vocational School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*  
*Unaudited*

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2002 and 2001:

(Table 1)  
**Net Assets**

|                            | Governmental Activities |             | Business-Type Activities |           | Total       |             |
|----------------------------|-------------------------|-------------|--------------------------|-----------|-------------|-------------|
|                            | 2002                    | 2001        | 2002                     | 2001      | 2002        | 2001        |
| <b>Assets</b>              |                         |             |                          |           |             |             |
| Current and                |                         |             |                          |           |             |             |
| Other Assets               | \$6,146,573             | \$5,344,250 | \$527,539                | \$458,802 | \$6,674,112 | \$5,803,052 |
| Capital Assets             | 3,842,441               | 3,818,678   | 5,734                    | 3,189     | 3,848,175   | 3,821,867   |
| Total Assets               | 9,989,014               | 9,162,928   | 533,273                  | 461,991   | 10,522,287  | 9,624,919   |
| <b>Liabilities</b>         |                         |             |                          |           |             |             |
| Long-Term Liabilities      | 166,783                 | 168,906     | 0                        | 0         | 166,783     | 168,906     |
| Other Liabilities          | 1,788,274               | 1,922,068   | 12,870                   | 13,913    | 1,801,144   | 1,935,981   |
| Total Liabilities          | 1,955,057               | 2,090,974   | 12,870                   | 13,913    | 1,967,927   | 2,104,887   |
| <b>Net Assets</b>          |                         |             |                          |           |             |             |
| Invested in Capital Assets | 3,842,441               | 3,818,678   | 5,734                    | 3,189     | 3,848,175   | 3,821,867   |
| Restricted                 | 1,785,683               | 1,363,287   | 0                        | 0         | 1,785,683   | 1,363,287   |
| Unrestricted               | 2,405,833               | 1,889,989   | 514,669                  | 444,889   | 2,920,502   | 2,334,878   |
| Total Net Assets           | \$8,033,957             | \$7,071,954 | \$520,403                | \$448,078 | \$8,554,360 | \$7,520,032 |

Total assets increased by \$897,368. This was primarily due to an increase of \$911,934 in governmental equity in pooled cash and cash equivalents.

Table 2, on the following page, shows the changes in net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2001 are not available. When prior-year information is available, a comparative analysis of government-wide data will be presented.

***Southern Hills Joint Vocational School District***  
***Management's Discussion and Analysis***  
***For the Fiscal Year Ended June 30, 2002***  
***Unaudited***

(Table 2)  
Changes in Net Assets

|  | Governmental<br>Activities<br>2002 | Business-<br>Type<br>Activities<br>2002 | Total<br>2002      |
|--|------------------------------------|---|--------------------|
| <b>Revenues</b>  |                                    |   |                    |
| Program Revenues:  |                                    |   |                    |
| Charges for Services   | \$146,849                          | \$179,683                               | \$326,532          |
| Operating Grants and Contributions                             | 1,324,381                          | 87,302                                  | 1,411,683          |
| Capital Grants and Contributions                               | 25,683                             | 0                                       | 25,683             |
| General Revenues:  |                                    |   |                    |
| Property Taxes   | 1,759,843                          | 0                                       | 1,759,843          |
| Grants and Entitlements not<br>Restricted to Specific Programs | 2,238,274                          | 0                                       | 2,238,274          |
| Unrestricted Contributions                                     | 0                                  | 0                                       | 0                  |
| Investment Earnings  | 278,652                            | 0                                       | 278,652            |
| Miscellaneous  | 34,419                             | 0                                       | 34,419             |
| <b>Transfers</b>   | <b>0</b>                           | <b>135,000</b>                          | <b>135,000</b>     |
| Total Revenues and Transfers                                   | <u>5,808,101</u>                   | <u>401,985</u>                          | <u>6,210,086</u>   |
| <b>Program Expenses</b>  |                                    |   |                    |
| Instruction  |                                    |   |                    |
| Regular  | 136,871                            | 0                                       | 136,871            |
| Special  | 0                                  | 0                                       | 0                  |
| Vocational   | 2,774,383                          | 0                                       | 2,774,383          |
| Adult/Continuing   | 3,972                              | 0                                       | 3,972              |
| Other  | 0                                  | 0                                       | 0                  |
| Support Services   |                                    |   |                    |
| Pupils   | 295,848                            | 0                                       | 295,848            |
| Instructional Staff  | 99,619                             | 0                                       | 99,619             |
| Board of Education   | 29,791                             | 0                                       | 29,791             |
| Administration   | 346,171                            | 0                                       | 346,171            |
| Fiscal   | 271,754                            | 0                                       | 271,754            |
| Business   | 17,169                             | 0                                       | 17,169             |
| Operation and Maintenance of Plant                             | 454,708                            | 0                                       | 454,708            |
| Pupil Transportation   | 39,140                             | 0                                       | 39,140             |
| Central  | 61,885                             | 0                                       | 61,885             |
| Operation of Non-Instructional Services                        |                                    |   |                    |
| Other  | 6,417                              | 0                                       | 6,417              |
| Food Service Operations  | 168,600                            | 0                                       | 168,600            |
| Extracurricular Activities                                     | 4,770                              | 0                                       | 4,770              |
| Adult and Continuing Education                                 | 0                                  | 242,070                                 | 242,070            |
| Customer Services  | 0                                  | 66,096                                  | 66,096             |
| Uniform Supply   | 0                                  | 21,494                                  | 21,494             |
| <b>Transfers</b>   | <b>135,000</b>                     | <b>0</b>                                | <b>135,000</b>     |
| Total Expenses and Transfers                                   | <u>4,846,098</u>                   | <u>329,660</u>                          | <u>5,175,758</u>   |
| Increase in Net Assets   | <u>\$962,003</u>                   | <u>\$72,325</u>                         | <u>\$1,034,328</u> |

***Southern Hills Joint Vocational School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*  
*Unaudited*

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**Governmental Activities**

Grants and Entitlements made up 61 percent of revenues for governmental activities of Southern Hills Joint Vocational School District for fiscal year 2002.

Instruction comprises 62 percent of governmental program expenses. Support services expenses make up 34 percent of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2001 have not been made since they are not available.

(Table 3)  
 Governmental Activities

|   | Total Cost<br>of Services<br>2002 | Net Cost<br>of Services<br>2002 |
|---|-----------------------------------|---------------------------------|
| Instruction                             | \$2,915,226                       | \$1,775,078                     |
| Support Services                        | 1,616,085                         | 1,370,102                       |
| Operation of Non-Instructional Services |                                   |                                 |
| Other                                   | 6,417                             | 6,417                           |
| Food Service Operations                 | 168,600                           | 57,818                          |
| Extracurricular Activities              | 4,770                             | 4,770                           |
| Total Expenses                          | \$4,711,098                       | \$3,214,185                     |

**Business-Type Activities**

The School District's business-type activities consist of adult education, customer services and uniform school supplies. These programs had revenues and transfers in of \$401,985 and expenses of \$329,660 for fiscal year 2002. Of the revenues, \$179,683 was charges for services and \$87,302 was from State and Federal grants and the remaining \$135,000 were transfers received from the general fund. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of these activities. If it becomes necessary, the School District will increase the charges for these activities.

***Southern Hills Joint Vocational School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*  
*Unaudited*

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**The School District's Funds**

Information about the School District's major funds start on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$5,898,566 and expenditures and other financing uses of \$4,984,368. The net change in fund balance for the year was most significant in the general fund, an increase of \$521,189. This increase was primarily due to an increase of \$51,780 in property tax receipts and an increase of 782,624 in receipts for state and federal grants. These increases were slightly offset by decreases in interest and miscellaneous revenue.

**General Fund - Budget Highlights**

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

During the course of fiscal 2002 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the general fund original and final budgeted amounts is listed on page 20, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the general fund, the actual budget basis property and other local taxes was \$1,580,251 with original budget estimates of \$1,698,497. The difference of \$118,246 is attributed to a decline in personal property tax due to economic conditions. Actual budget basis intergovernmental revenue was \$3,165,045 with original budget estimates of \$2,491,477. The difference of \$673,568 is attributable to additional state funding for students which was unknown at the time original estimates were projected and increased enrollment in secondary programming.

For the general fund, actual budget basis expenditures for vocational instruction was \$2,749,661 with original budget estimates of \$2,465,986. The difference of \$283,675 is due to an additional satellite program created in fiscal year 2002, which required additional start up cost to establish.

The School District's June 30, 2002 unobligated cash balance was \$270,651 above the final budgeted amount.

***Southern Hills Joint Vocational School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*  
*Unaudited*

**Capital Assets**

At the end of fiscal year 2002 the School District had \$4,152,568 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, \$4,146,834 of which was related to governmental activities. Table 4 shows fiscal year 2002 balances compared to 2001:

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

|                            | Governmental Activities |                    | Business-Type Activities |                | Total              |                    |
|----------------------------|-------------------------|--------------------|--------------------------|----------------|--------------------|--------------------|
|                            | 2002                    | 2001               | 2002                     | 2001           | 2002               | 2001               |
| Land                       | \$68,701                | \$68,701           | \$0                      | \$0            | \$68,701           | \$68,701           |
| Construction in Progress   | 58,994                  | 48,301             | 0                        | 0              | 58,994             | 48,301             |
| Land Improvements          | 42,985                  | 68,060             | 0                        | 0              | 42,985             | 68,060             |
| Buildings and Improvements | 2,274,562               | 2,369,942          | 0                        | 0              | 2,274,562          | 2,369,942          |
| Furniture and Equipment    | 1,358,863               | 1,230,585          | 5,734                    | 3,189          | 1,364,597          | 1,233,774          |
| Vehicles                   | 38,336                  | 33,089             | 0                        | 0              | 38,336             | 33,089             |
| Totals                     | <u>\$3,842,441</u>      | <u>\$3,818,678</u> | <u>\$5,734</u>           | <u>\$3,189</u> | <u>\$3,848,175</u> | <u>\$3,821,867</u> |

Net Capital Assets increased from the prior year. This was primarily due to an increase in purchases of furniture and equipment for use in vocational education.

Construction in progress at June 30, 2002 was related to a bus garage that was being constructed by carpentry students on the School District campus.

For more information on Capital Assets, refer to the notes to the basic financial statements (Note 9).

**Current Issues**

The Southern Hills Joint Vocational School District is financially stable and has been over the past decade. The School District is very proud of the fact that only one additional operating levy has been needed since the district began operations in 1975. The School District is currently ranked second poorest among joint vocational school districts in the State. Although the School District is considered low wealth, we provide a quality education for our students, with five of our vocational programs receiving national accreditation. We currently have twelve vocational programs housed at the Career Center and nine satellite programs at the local schools, with a total student population of over one thousand students served by the School District.

***Southern Hills Joint Vocational School District***  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2002*  
*Unaudited*

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The Southern Hills Joint Vocational School District depends on the State of Ohio School funding system with for approximately sixty percent of the schools operating budget supplied by the State. This factor concerns the School District, since the Ohio Supreme Court, in March, 1997, declared the State of Ohio to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable”. However, the Court said that the system could be constitutional if the Ohio Legislature would correct some portions of the funding system. As this document goes to print, the State has not complied with the Court order. This uncertainty causes difficulties in planning and developing a sound five-year forecast.

The current building was constructed in 1975 and is in need of some major repairs and updates. Attempts have been made to secure state and federal grants; however, at this time no assistance has been received. Currently the School District is listed second on the Ohio Schools Facilities Commission’s list for state assistance to Ohio Joint Vocational School Districts based on property valuations per pupil. The State is in the process of developing procedures and allocation methods for distribution of those funds. We are not certain, at this point, if the School District will need local tax levy assistance to obtain the State funding. Once legislation provides clarity to these issues an evaluation of the current building structure will be performed to determine if renovations will be made to the current facility or a new building will be constructed.

**Contacting the School District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives. If you have any questions about this report or need additional information, contact Michael Boyd, Treasurer at Southern Hills Joint Vocational School District, 9193 Hamer Road, Georgetown, Ohio 45121 or e-mail at [mike\\_shc@scoca-k12.org](mailto:mike_shc@scoca-k12.org).

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***Southern Hills Joint Vocational School District***

*Statement of Net Assets*

*June 30, 2002*

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                     |
|--|----------------------------|-----------------------------|---------------------------|
| <b>Assets</b>                              |                            |                             |                           |
| Equity in Pooled Cash and Cash Equivalents | \$4,297,670                | \$517,576                   | \$4,815,246               |
| Materials and Supplies Inventory           | 42,580                     | 8,155                       | 50,735                    |
| Accrued Interest Receivable                | 78,150                     | 0                           | 78,150                    |
| Internal Balances                          | 11,050                     | (11,050)                    | 0                         |
| Intergovernmental Receivable               | 43,417                     | 12,858                      | 56,275                    |
| Prepaid Items                              | 44,864                     | 0                           | 44,864                    |
| Property Taxes Receivable                  | 1,628,842                  | 0                           | 1,628,842                 |
| Capital Assets:                            |                            |                             |                           |
| Land and Construction in Progress          | 127,695                    | 0                           | 127,695                   |
| Depreciable Capital Assets, Net            | 3,714,746                  | 5,734                       | 3,720,480                 |
| <i>Total Assets</i>                        | <u>9,989,014</u>           | <u>533,273</u>              | <u>10,522,287</u>         |
| <b>Liabilities</b>                         |                            |                             |                           |
| Accounts Payable                           | 96,122                     | 681                         | 96,803                    |
| Accrued Wages and Benefits                 | 332,491                    | 9,623                       | 342,114                   |
| Contracts Payable                          | 3,240                      | 109                         | 3,349                     |
| Intergovernmental Payable                  | 61,833                     | 2,457                       | 64,290                    |
| Deferred Revenue                           | 1,294,588                  | 0                           | 1,294,588                 |
| Long-Term Liabilities:                     |                            |                             |                           |
| Due Within One Year                        | 20,244                     | 0                           | 20,244                    |
| Due in More Than One Year                  | 146,539                    | 0                           | 146,539                   |
| <i>Total Liabilities</i>                   | <u>1,955,057</u>           | <u>12,870</u>               | <u>1,967,927</u>          |
| <b>Net Assets</b>                          |                            |                             |                           |
| Invested in Capital Assets                 | 3,842,441                  | 5,734                       | 3,848,175                 |
| Restricted for Capital Outlay              | 1,411,034                  | 0                           | 1,411,034                 |
| Restricted for Other Purposes              | 374,649                    | 0                           | 374,649                   |
| Unrestricted                               | 2,405,833                  | 514,669                     | 2,920,502                 |
| <i>Total Net Assets</i>                    | <u><u>\$8,033,957</u></u>  | <u><u>\$520,403</u></u>     | <u><u>\$8,554,360</u></u> |

See accompanying notes to the basic financial statements

**Southern Hills Joint Vocational School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2002

|  | Program Revenues   |                                   |                                       |                                     |
|--|--------------------|-----------------------------------|---------------------------------------|-------------------------------------|
|  | Expenses           | Charges for<br>Services and Sales | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions |
| <b>Governmental Activities</b>           |                    |                                   |                                       |                                     |
| Instruction:                             |                    |                                   |                                       |                                     |
| Regular                                  | \$136,871          | \$12,673                          | \$0                                   | \$0                                 |
| Vocational                               | 2,774,383          | 27,062                            | 1,074,730                             | 25,683                              |
| Adult/Continuing                         | 3,972              | 0                                 | 0                                     | 0                                   |
| Support Services:                        |                    |                                   |                                       |                                     |
| Pupils                                   | 295,848            | 17,778                            | 152,853                               | 0                                   |
| Instructional Staff                      | 99,619             | 0                                 | 22,754                                | 0                                   |
| Board of Education                       | 29,791             | 0                                 | 0                                     | 0                                   |
| Administration                           | 346,171            | 0                                 | 8,156                                 | 0                                   |
| Fiscal                                   | 271,754            | 0                                 | 0                                     | 0                                   |
| Business                                 | 17,169             | 0                                 | 0                                     | 0                                   |
| Operation and Maintenance of Plant       | 454,708            | 7,549                             | 899                                   | 0                                   |
| Pupil Transportation                     | 39,140             | 0                                 | 0                                     | 0                                   |
| Central                                  | 61,885             | 0                                 | 35,994                                | 0                                   |
| Operation of Non-Instructional Services: |                    |                                   |                                       |                                     |
| Other                                    | 6,417              | 0                                 | 0                                     | 0                                   |
| Food Service Operations                  | 168,600            | 81,787                            | 28,995                                | 0                                   |
| Extracurricular Activities               | 4,770              | 0                                 | 0                                     | 0                                   |
| <i>Total Governmental Activities</i>     | <u>4,711,098</u>   | <u>146,849</u>                    | <u>1,324,381</u>                      | <u>25,683</u>                       |
| <b>Business-Type Activities</b>          |                    |                                   |                                       |                                     |
| Adult Education                          | 242,070            | 113,135                           | 87,302                                | 0                                   |
| Customer Services                        | 66,096             | 47,247                            | 0                                     | 0                                   |
| Uniform Supply                           | 21,494             | 19,301                            | 0                                     | 0                                   |
| <i>Total Business-Type Activities</i>    | <u>329,660</u>     | <u>179,683</u>                    | <u>87,302</u>                         | <u>0</u>                            |
| <i>Total Primary Government</i>          | <u>\$5,040,758</u> | <u>\$326,532</u>                  | <u>\$1,411,683</u>                    | <u>\$25,683</u>                     |

**General Revenues**

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

**Transfers**

*Total General Revenues and Transfers*

Change in Net Assets

*Net Assets Beginning of Year - (See Note 3)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

| Net(Expense)Revenue<br>and Changes in Net Assets |                             |                      |
|--|-----------------------------|----------------------|
| Governmental<br>Activities                       | Business-Type<br>Activities | Total                |
|  |                             |                      |
| (\$124,198)                                      |                             | (\$124,198)          |
| (1,646,908)                                      |                             | (1,646,908)          |
| (3,972)  |                             | (3,972)              |
| (125,217)  |                             | (125,217)            |
| (76,865)   |                             | (76,865)             |
| (29,791)   |                             | (29,791)             |
| (338,015)  |                             | (338,015)            |
| (271,754)  |                             | (271,754)            |
| (17,169)   |                             | (17,169)             |
| (446,260)  |                             | (446,260)            |
| (39,140)   |                             | (39,140)             |
| (25,891)   |                             | (25,891)             |
| (6,417)  |                             | (6,417)              |
| (57,818)   |                             | (57,818)             |
| (4,770)  |                             | (4,770)              |
| <u>(3,214,185)</u>                               |                             | <u>(3,214,185)</u>   |
|  |                             |                      |
|  | (\$41,633)                  | (41,633)             |
|  | (18,849)                    | (18,849)             |
|  | (2,193)                     | (2,193)              |
|  | <u>(62,675)</u>             | <u>(62,675)</u>      |
| <u>(3,214,185)</u>                               | <u>(62,675)</u>             | <u>(\$3,276,860)</u> |
|  |                             |                      |
| 1,622,644  | 0                           | 1,622,644            |
| 137,199  | 0                           | 137,199              |
| 2,238,274  | 0                           | 2,238,274            |
| 278,652  | 0                           | 278,652              |
| 34,419   | 0                           | 34,419               |
| (135,000)  | 135,000                     | 0                    |
| <u>4,176,188</u>                                 | <u>135,000</u>              | <u>4,311,188</u>     |
|  |                             |                      |
| 962,003  | 72,325                      | 1,034,328            |
| <u>7,071,954</u>                                 | <u>448,078</u>              | <u>7,520,032</u>     |
| <u>\$8,033,957</u>                               | <u>\$520,403</u>            | <u>\$8,554,360</u>   |

**Southern Hills Joint Vocational School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2002*

|  | General            | Vocational<br>Education<br>Equipment | All Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|--------------------------------------|------------------------------------|--------------------------------|
| <b>Assets</b>                              |                    |                                      |                                    |                                |
| Equity in Pooled Cash and Cash Equivalents | \$2,490,925        | \$917,741                            | \$868,707                          | \$4,277,373                    |
| Materials and Supplies Inventory           | 37,323             | 0                                    | 5,257                              | 42,580                         |
| Accrued Interest Receivable                | 0                  | 0                                    | 78,150                             | 78,150                         |
| Interfund Receivable                       | 138,300            | 0                                    | 0                                  | 138,300                        |
| Intergovernmental Receivable               | 0                  | 14,948                               | 28,469                             | 43,417                         |
| Prepaid Items                              | 31,664             | 0                                    | 13,200                             | 44,864                         |
| Property and Other Local Taxes Receivable  | 1,513,301          | 0                                    | 115,541                            | 1,628,842                      |
| Restricted Assets:                         |                    |                                      |                                    |                                |
| Equity in Pooled Cash and Cash Equivalents | 20,297             | 0                                    | 0                                  | 20,297                         |
| <i>Total Assets</i>                        | <u>\$4,231,810</u> | <u>\$932,689</u>                     | <u>\$1,109,324</u>                 | <u>\$6,273,823</u>             |
| <b>Liabilities</b>                         |                    |                                      |                                    |                                |
| Accounts Payable                           | \$96,122           | \$0                                  | \$0                                | \$96,122                       |
| Accrued Wages and Benefits                 | 320,494            | 0                                    | 11,997                             | 332,491                        |
| Contracts Payable                          | 845                | 0                                    | 2,395                              | 3,240                          |
| Interfund Payable                          | 0                  | 0                                    | 127,250                            | 127,250                        |
| Intergovernmental Payable                  | 45,567             | 0                                    | 1,399                              | 46,966                         |
| Deferred Revenue                           | 1,263,071          | 14,948                               | 168,127                            | 1,446,146                      |
| <i>Total Liabilities</i>                   | <u>1,726,099</u>   | <u>14,948</u>                        | <u>311,168</u>                     | <u>2,052,215</u>               |
| <b>Fund Balances</b>                       |                    |                                      |                                    |                                |
| Reserved for Encumbrances                  | 163,201            | 1,178                                | 4,370                              | 168,749                        |
| Reserved for Property Taxes                | 230,222            | 0                                    | 20,116                             | 250,338                        |
| Reserved for Budget Stabilization          | 20,297             | 0                                    | 0                                  | 20,297                         |
| Unreserved:                                |                    |                                      |                                    |                                |
| Undesignated, Reported in:                 |                    |                                      |                                    |                                |
| General Fund                               | 2,091,991          | 0                                    | 0                                  | 2,091,991                      |
| Special Revenue Funds                      | 0                  | 0                                    | 368,480                            | 368,480                        |
| Capital Projects Funds                     | 0                  | 916,563                              | 405,190                            | 1,321,753                      |
| <i>Total Fund Balances</i>                 | <u>2,505,711</u>   | <u>917,741</u>                       | <u>798,156</u>                     | <u>4,221,608</u>               |
| <i>Total Liabilities and Fund Balances</i> | <u>\$4,231,810</u> | <u>\$932,689</u>                     | <u>\$1,109,324</u>                 | <u>\$6,273,823</u>             |

See accompanying notes to the basic financial statements

**Southern Hills Joint Vocational School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2002

**Total Governmental Fund Balances** \$4,221,608

***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. These assets consist of:

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Capital assets           | 9,489,068          |           |
| Accumulated depreciation | <u>(5,646,627)</u> |           |
| Total capital assets     |                    | 3,842,441 |

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

|                   |               |         |
|-------------------|---------------|---------|
| Taxes             | 62,426        |         |
| Intergovernmental | 40,017        |         |
| Interest          | <u>49,115</u> |         |
|                   |               | 151,558 |

Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (14,867)

Compensated absences are not due and payable in the current period and therefore are not reported in the funds. (166,783)

**Net Assets of Governmental Activities** \$8,033,957

See accompanying notes to the basic financial statements

**Southern Hills Joint Vocational School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2002*

|   | General            | Vocational<br>Education<br>Equipment | All Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|--------------------------------------|------------------------------------|--------------------------------|
| <b>Revenues</b>   |                    |                                      |                                    |                                |
| Property and Other Local Taxes                                | \$1,641,455        | \$0                                  | \$138,405                          | \$1,779,860                    |
| Intergovernmental   | 3,165,045          | 47,587                               | 372,541                            | 3,585,173                      |
| Interest  | 20,735             | 0                                    | 208,802                            | 229,537                        |
| Tuition and Fees  | 12,673             | 0                                    | 0                                  | 12,673                         |
| Rent  | 7,549              | 0                                    | 0                                  | 7,549                          |
| Customer Sales and Services                                   | 23,090             | 0                                    | 103,537                            | 126,627                        |
| Miscellaneous   | 28,930             | 1,532                                | 3,957                              | 34,419                         |
| <i>Total Revenues</i>   | <u>4,899,477</u>   | <u>49,119</u>                        | <u>827,242</u>                     | <u>5,775,838</u>               |
| <b>Expenditures</b>   |                    |                                      |                                    |                                |
| Current:  |                    |                                      |                                    |                                |
| Instruction:  |                    |                                      |                                    |                                |
| Regular   | 128,537            | 0                                    | 791                                | 129,328                        |
| Vocational  | 2,633,201          | 110,612                              | 106,796                            | 2,850,609                      |
| Adult/Continuing  | 0                  | 0                                    | 3,972                              | 3,972                          |
| Support Services:   |                    |                                      |                                    |                                |
| Pupils  | 151,904            | 0                                    | 135,675                            | 287,579                        |
| Instructional Staff   | 50,525             | 0                                    | 20,187                             | 70,712                         |
| Board of Education  | 34,181             | 0                                    | 0                                  | 34,181                         |
| Administration  | 329,642            | 0                                    | 7,835                              | 337,477                        |
| Fiscal  | 258,173            | 0                                    | 5,070                              | 263,243                        |
| Business  | 17,115             | 0                                    | 0                                  | 17,115                         |
| Operation and Maintenance of Plant                            | 436,941            | 0                                    | 1,449                              | 438,390                        |
| Pupil Transportation  | 42,587             | 0                                    | 0                                  | 42,587                         |
| Central   | 26,734             | 0                                    | 30,991                             | 57,725                         |
| Operation of Non-Instructional Services:                      |                    |                                      |                                    |                                |
| Other   | 6,417              | 0                                    | 0                                  | 6,417                          |
| Food Service Operations                                       | 0                  | 0                                    | 160,119                            | 160,119                        |
| Extracurricular Activities                                    | 4,770              | 0                                    | 0                                  | 4,770                          |
| Capital Outlay  | 5,069              | 1,297                                | 18,668                             | 25,034                         |
| <i>Total Expenditures</i>                                     | <u>4,125,796</u>   | <u>111,909</u>                       | <u>491,553</u>                     | <u>4,729,258</u>               |
| <i>Excess of Revenues Over (Under) Expenditures</i>           | <u>773,681</u>     | <u>(62,790)</u>                      | <u>335,689</u>                     | <u>1,046,580</u>               |
| <b>Other Financing Sources and Uses</b>                       |                    |                                      |                                    |                                |
| Transfers-In  | 0                  | 0                                    | 120,110                            | 120,110                        |
| Proceeds from Sale of Fixed Assets                            | 2,618              | 0                                    | 0                                  | 2,618                          |
| Transfers-Out   | (255,110)          | 0                                    | 0                                  | (255,110)                      |
| <i>Total Other Financing Sources and Uses</i>                 | <u>(252,492)</u>   | <u>0</u>                             | <u>120,110</u>                     | <u>(132,382)</u>               |
| <i>Net Change in Fund Balances</i>                            | 521,189            | (62,790)                             | 455,799                            | 914,198                        |
| <i>Fund Balance at Beginning of Year</i><br>(Restated Note 3) | <u>1,984,522</u>   | <u>980,531</u>                       | <u>342,357</u>                     | <u>3,307,410</u>               |
| <i>Fund Balance at End of Year</i>                            | <u>\$2,505,711</u> | <u>\$917,741</u>                     | <u>\$798,156</u>                   | <u>\$4,221,608</u>             |

See accompanying notes to the basic financial statements

**Southern Hills Joint Vocational School District**  
*Reconciliation of the Change in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2002*

**Net Change in Fund Balances - Total Governmental Funds** \$914,198

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

Capital outlays 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. In the current period, these amounts are:

|  |                  |        |
|--|------------------|--------|
| Capital asset additions                            | 407,739          |        |
| Depreciation expense                               | <u>(375,741)</u> |        |
| Excess of capital outlay over depreciation expense |                  | 31,998 |

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.

|                                      |                |         |
|--------------------------------------|----------------|---------|
| Proceeds from Sale of Capital Assets | (2,618)        |         |
| Loss on Disposal of Capital Assets   | <u>(5,617)</u> |         |
|                                      |                | (8,235) |

Because, some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

|                           |               |        |
|---------------------------|---------------|--------|
| Delinquent Property Taxes | (20,017)      |        |
| Intergovernmental         | 3,165         |        |
| Interest                  | <u>49,115</u> |        |
|                           |               | 32,263 |

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

|                                       |                 |                |
|---------------------------------------|-----------------|----------------|
| Decrease in compensated absences      | 2,123           |                |
| Increase in intergovernmental payable | <u>(10,344)</u> |                |
| Total additional expenditures         |                 | <u>(8,221)</u> |

**Change in Net Assets of Governmental Activities** \$962,003

See accompanying notes to the basic financial statements

**Southern Hills Joint Vocational School District**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2002**

|   | Original<br>Budget | Final<br>Budget    | Actual             | Variance with<br>Final Budget |
|---|--------------------|--------------------|--------------------|-------------------------------|
| <b>Revenues</b>                             |                    |                    |                    |                               |
| Property and Other Local Taxes              | \$1,698,497        | \$1,580,234        | \$1,580,251        | \$17                          |
| Intergovernmental                           | 2,491,477          | 3,168,554          | 3,165,045          | (3,509)                       |
| Interest                                    | 21,466             | 27,300             | 27,298             | (2)                           |
| Tuition and Fees                            | 7,041              | 8,955              | 12,673             | 3,718                         |
| Rent  | 5,878              | 7,475              | 7,549              | 74                            |
| Gifts and Donations                         | 0                  | 0                  | 445                | 445                           |
| Customer Sales and Services                 | 18,007             | 22,900             | 23,090             | 190                           |
| Miscellaneous                               | 472                | 600                | 169                | (431)                         |
| <i>Total Revenues</i>                       | <u>4,242,838</u>   | <u>4,816,018</u>   | <u>4,816,520</u>   | <u>502</u>                    |
| <b>Expenditures</b>                         |                    |                    |                    |                               |
| Current:                                    |                    |                    |                    |                               |
| Instruction:                                |                    |                    |                    |                               |
| Regular                                     | 129,011            | 129,027            | 123,634            | 5,393                         |
| Vocational                                  | 2,465,986          | 2,928,212          | 2,749,661          | 178,551                       |
| Support Services:                           |                    |                    |                    |                               |
| Pupils                                      | 140,384            | 143,559            | 138,109            | 5,450                         |
| Instructional Staff                         | 68,598             | 68,702             | 58,344             | 10,358                        |
| Board of Education                          | 41,283             | 55,561             | 47,802             | 7,759                         |
| Administration                              | 319,151            | 343,319            | 337,713            | 5,606                         |
| Fiscal                                      | 263,180            | 279,770            | 260,129            | 19,641                        |
| Business                                    | 21,250             | 19,750             | 17,813             | 1,937                         |
| Operation and Maintenance of Plant          | 461,710            | 488,553            | 470,503            | 18,050                        |
| Pupil Transportation                        | 18,795             | 49,008             | 46,596             | 2,412                         |
| Central                                     | 35,125             | 35,125             | 27,522             | 7,603                         |
| Operation of Non-Instructional Services     | 6,500              | 6,500              | 6,430              | 70                            |
| Extracurricular Activities                  | 4,570              | 4,570              | 4,570              | 0                             |
| Capital Outlay                              | 750                | 5,300              | 5,069              | 231                           |
| <i>Total Expenditures</i>                   | <u>3,976,293</u>   | <u>4,556,956</u>   | <u>4,293,895</u>   | <u>263,061</u>                |
| <i>Excess of Revenues Over Expenditures</i> | <u>266,545</u>     | <u>259,062</u>     | <u>522,625</u>     | <u>263,563</u>                |
| <b>Other Financing Sources (Uses)</b>       |                    |                    |                    |                               |
| Transfers-In                                |                    |                    |                    |                               |
| Proceeds from Sale of Fixed Assets          | 0                  | 0                  | 2,618              | 2,618                         |
| Refund of Prior Year Expenditures           | 1,000              | 27,916             | 28,316             | 400                           |
| Advances-In                                 | 0                  | 75,000             | 77,572             | 2,572                         |
| Transfers-Out                               | (150,430)          | (255,430)          | (255,310)          | 120                           |
| Refund of Prior Year Receipts               | 0                  | (1,000)            | 0                  | 1,000                         |
| Advances-Out                                | (70,000)           | (135,000)          | (134,622)          | 378                           |
| <i>Total Other Financing Sources (Uses)</i> | <u>(219,430)</u>   | <u>(288,514)</u>   | <u>(281,426)</u>   | <u>7,088</u>                  |
| <i>Net Change in Fund Balance</i>           | 47,115             | (29,452)           | 241,199            | 270,651                       |
| <i>Fund Balance Beginning of Year</i>       | 1,967,051          | 1,967,051          | 1,967,051          | 0                             |
| <i>Prior Year Encumbrances Appropriated</i> | <u>46,351</u>      | <u>46,351</u>      | <u>46,351</u>      | <u>0</u>                      |
| <i>Fund Balance End of Year</i>             | <u>\$2,060,517</u> | <u>\$1,983,950</u> | <u>\$2,254,601</u> | <u>\$270,651</u>              |

See accompanying notes to the basic financial statements



***Southern Hills Joint Vocational School District***  
*Statement of Fund Net Assets*  
*Enterprise Funds*  
*June 30, 2002*

|  | <u>Adult<br/>Education</u> | <u>Other<br/>Enterprise<br/>Funds</u> | <u>Totals</u> |
|--|----------------------------|---------------------------------------|---------------|
| Assets                                     |                            |                                       |               |
| Current Assets:                            |                            |                                       |               |
| Equity in Pooled Cash and Cash Equivalents | \$403,075                  | \$114,501                             | \$517,576     |
| Materials and Supplies Inventory           | 0                          | 8,155                                 | 8,155         |
| Intergovernmental Receivable               | 12,858                     | 0                                     | 12,858        |
|  | <hr/>                      | <hr/>                                 | <hr/>         |
| <i>Total Current Assets</i>                | 415,933                    | 122,656                               | 538,589       |
| Capital Assets, Net                        | 5,734                      | 0                                     | 5,734         |
|  | <hr/>                      | <hr/>                                 | <hr/>         |
| <i>Total Assets</i>                        | 421,667                    | 122,656                               | 544,323       |
|  | <hr/>                      | <hr/>                                 | <hr/>         |
| Liabilities                                |                            |                                       |               |
| Current Liabilities:                       |                            |                                       |               |
| Accounts Payable                           | 424                        | 257                                   | 681           |
| Accrued Wages and Benefits                 | 9,623                      | 0                                     | 9,623         |
| Contracts Payable                          | 109                        | 0                                     | 109           |
| Interfund Payable                          | 0                          | 11,050                                | 11,050        |
| Intergovernmental Payable                  | 2,457                      | 0                                     | 2,457         |
|  | <hr/>                      | <hr/>                                 | <hr/>         |
| <i>Total Liabilities</i>                   | 12,613                     | 11,307                                | 23,920        |
|  | <hr/>                      | <hr/>                                 | <hr/>         |
| Net Assets                                 |                            |                                       |               |
| Invested in Capital Assets                 | 5,734                      | 0                                     | 5,734         |
| Unrestricted                               | 403,320                    | 111,349                               | 514,669       |
|  | <hr/>                      | <hr/>                                 | <hr/>         |
| <i>Total Net Assets</i>                    | \$409,054                  | \$111,349                             | \$520,403     |
|  | <hr/> <hr/>                | <hr/> <hr/>                           | <hr/> <hr/>   |

See accompanying notes to the basic financial statements

**Southern Hills Joint Vocational School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Enterprise Funds*  
*For the Fiscal Year Ended June 30, 2002*

|                                     | <u>Adult<br/>Education</u> | <u>Other<br/>Enterprise<br/>Funds</u> | <u>Totals</u>    |
|-------------------------------------|----------------------------|---------------------------------------|------------------|
| <b>Operating Revenues</b>           |                            |                                       |                  |
| Tuition                             | \$113,135                  | \$0                                   | \$113,135        |
| Sales                               | 0                          | 19,301                                | 19,301           |
| Charges for Services                | 0                          | 47,247                                | 47,247           |
|                                     | <u>113,135</u>             | <u>66,548</u>                         | <u>179,683</u>   |
| <i>Total Operating Revenues</i>     |                            |                                       |                  |
| <b>Operating Expenses</b>           |                            |                                       |                  |
| Salaries                            | 140,700                    | 0                                     | 140,700          |
| Fringe Benefits                     | 45,829                     | 0                                     | 45,829           |
| Purchased Services                  | 28,874                     | 779                                   | 29,653           |
| Materials and Supplies              | 25,286                     | 86,811                                | 112,097          |
| Depreciation                        | 1,337                      | 0                                     | 1,337            |
| Other                               | 44                         | 0                                     | 44               |
|                                     | <u>242,070</u>             | <u>87,590</u>                         | <u>329,660</u>   |
| <i>Total Operating Expenses</i>     |                            |                                       |                  |
| <i>Operating Loss</i>               | (128,935)                  | (21,042)                              | (149,977)        |
| <b>Non-Operating Revenues</b>       |                            |                                       |                  |
| Federal and State Subsidies         | 87,302                     | 0                                     | 87,302           |
|                                     | <u>87,302</u>              | <u>0</u>                              | <u>87,302</u>    |
| <i>Loss Before Transfers</i>        | (41,633)                   | (21,042)                              | (62,675)         |
| Transfers-In                        | 120,000                    | 15,000                                | 135,000          |
|                                     | <u>120,000</u>             | <u>15,000</u>                         | <u>135,000</u>   |
| <i>Change in Net Assets</i>         | 78,367                     | (6,042)                               | 72,325           |
| <i>Net Assets Beginning of Year</i> | <u>330,687</u>             | <u>117,391</u>                        | <u>448,078</u>   |
| <i>Net Assets End of Year</i>       | <u>\$409,054</u>           | <u>\$111,349</u>                      | <u>\$520,403</u> |

See accompanying notes to the basic financial statements

**Southern Hills Joint Vocational School District**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Fiscal Year Ended June 30, 2002

|  | Adult<br>Education | Other<br>Enterprise<br>Funds | Total              |
|--|--------------------|------------------------------|--------------------|
| <b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>   |                    |                              |                    |
| <u>Cash Flows from Operating Activities:</u>                     |                    |                              |                    |
| Cash Received from Customers                                     | \$0                | \$66,548                     | \$66,548           |
| Cash Received from Tuition Payments                              | 113,135            | 0                            | 113,135            |
| Cash Payments to Suppliers for Goods and Services                | (54,155)           | (91,542)                     | (145,697)          |
| Cash Payments to Employees for Services                          | (141,858)          | 0                            | (141,858)          |
| Cash Payments for Employee Benefits                              | (46,020)           | 0                            | (46,020)           |
|  | <u>(128,898)</u>   | <u>(24,994)</u>              | <u>(153,892)</u>   |
| <i>Net Cash Used for Operating Activities</i>                    |                    |                              |                    |
| <u>Cash Flows from Noncapital Financing Activities:</u>          |                    |                              |                    |
| Operating Grants Received  | 87,059             | 0                            | 87,059             |
| Short-Term Loans from Other Funds                                | 0                  | 11,050                       | 11,050             |
| Operating Transfers In   | 120,000            | 15,000                       | 135,000            |
|  | <u>207,059</u>     | <u>26,050</u>                | <u>233,109</u>     |
| <i>Net Cash Provided by Noncapital Financing Activities</i>      |                    |                              |                    |
| <u>Cash Flows from Capital and Related Financing Activities:</u> |                    |                              |                    |
| Payments for Capital Acquisitions                                | (3,882)            | 0                            | (3,882)            |
|  | <u>(3,882)</u>     | <u>0</u>                     | <u>(3,882)</u>     |
| <i>Net Increase in Cash and Cash Equivalents</i>                 |                    |                              |                    |
| Cash and Cash Equivalents at Beginning of Year                   | 328,796            | 113,445                      | 442,241            |
| Cash and Cash Equivalents at End of Year                         | <u>\$403,075</u>   | <u>\$114,501</u>             | <u>\$517,576</u>   |
| <b><u>Reconciliation of Operating Loss to Net</u></b>            |                    |                              |                    |
| <b><u>Cash Used for Operating Activities:</u></b>                |                    |                              |                    |
| Operating Loss   | (\$128,935)        | (\$21,042)                   | (\$149,977)        |
| <u>Adjustments to Reconcile Operating</u>                        |                    |                              |                    |
| <u>Loss to Net Cash Used for Operating Activities:</u>           |                    |                              |                    |
| Depreciation   | 1,337              | 0                            | 1,337              |
| <u>Changes in Assets and Liabilities:</u>                        |                    |                              |                    |
| Increase in Materials and Supplies Inventory                     | 0                  | (4,209)                      | (4,209)            |
| Increase in Accounts Payable                                     | 384                | 257                          | 641                |
| Decrease in Accrued Wages and Benefits                           | (1,801)            | 0                            | (1,801)            |
| Decrease in Contracts Payable                                    | (335)              | 0                            | (335)              |
| Increase in Intergovernmental Payable                            | 452                | 0                            | 452                |
|  | <u>37</u>          | <u>(3,952)</u>               | <u>(3,915)</u>     |
| Total Adjustments  | <u>37</u>          | <u>(3,952)</u>               | <u>(3,915)</u>     |
| Net Cash Used for Operating Activities                           | <u>(\$128,898)</u> | <u>(\$24,994)</u>            | <u>(\$153,892)</u> |

See accompanying notes to the basic financial statements

***Southern Hills Joint Vocational School District***  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2002*

|  | Private Purpose<br>Trust |          |
|--|--------------------------|----------|
|  | Scholarship              | Agency   |
| <b>Assets</b>                              |                          |          |
| Equity in Pooled Cash and Cash Equivalents | \$3,670                  | \$18,784 |
| <b>Liabilities</b>                         |                          |          |
| Undistributed Monies                       | 0                        | \$18,784 |
| <b>Net Assets</b>                          |                          |          |
| Held in Trust for Scholarships             | 3,670                    |          |
| <i>Total Net Assets</i>                    | \$3,670                  |          |

See accompanying notes to the basic financial statements

***Southern Hills Joint Vocational School District***  
***Statement of Changes in Fiduciary Net Assets***  
***Fiduciary Fund***  
***For the Fiscal Year Ended June 30, 2002***

|   | <u>Private Purpose<br/>Trust</u> | <u>Scholarship</u> |
|---|----------------------------------|--------------------|
| <b>Additions</b>                              |                                  |                    |
| Contributions                                 | \$1,139                          |                    |
| <b>Deductions</b>                             |                                  |                    |
| Payments in Accordance with Trust Agreements: | <u>2,277</u>                     |                    |
| <i>Change in Net Assets</i>                   | (1,138)                          |                    |
| <i>Net Assets Beginning of Year</i>           | <u>4,808</u>                     |                    |
| <i>Net Assets End of Year</i>                 | <u><u>\$3,670</u></u>            |                    |

See accompanying notes to the basic financial statement.

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

The Southern Hills Joint Vocational School District (the "School District") is a distinct political subdivision of the State of Ohio operated under the direction of a 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 Southern Hills Joint Vocational School. The School District provides educational services as authorized by State statute and or federal guidelines.

A board member is appointed by each local board of education within the Joint Vocational School District. The board is appointed by the boards of Georgetown Exempted Village School District and Western Brown, Eastern, Fayetteville Perry and Ripley-Union-Lewis-Huntington Local School Districts. Bright Local School District has assigned their appointment to the Highland-Clinton-Fayette Educational Service District and the Brown County Educational Service Center makes the final appointment to the Board. The Joint Vocational School is responsible for levying taxes, approving its own budget, appointing personnel, and accounting and finance related activities. The School District provides educational services as authorized by State statute and or federal guidelines.

The School District was established in 1970 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 634 square miles. It is located in Brown County and includes all of Brown County and Bright Local School District in Highland County. It is staffed by 17 non-certificated and 39 certificated teaching personnel and administrative employees providing education to 436 secondary students and 1,196 adult students.

**Reporting Entity**

The reporting entity consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Southern Hills Joint Vocational School, this includes general operations, food service, continuing education and student related activities of the School District.

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

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

(continued)

The Council for Vocational Education, which performs activities within the School District's boundaries for the benefit of its residents, is excluded from the accompanying financial statements because the School District is not financially accountable for the Council nor is it fiscally dependent on the School District.

During the fiscal year ended June 30, 2002, the method of appointing the District's governing body was changed. The Brown County Educational Service Center no longer appoints a voting majority of the District's governing board. The Brown County Educational Service Center no longer reports the District as a component unit.

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

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

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

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

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

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Governmental Funds**

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

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.



***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

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

Vocational Education Equipment Capital Projects Fund – This fund accounts for resources received and expended for the replacement and updating of equipment essential for the instruction of students in job skills.

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

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no internal service funds.

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

Adult Education – This fund accounts for revenues received and expended in connection with adult education classes.

The other enterprise funds of the School District account for revenues received from the sale of school supplies and charges for classroom fees expended to support the programs.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund, and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer and faculty advisor.

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**C. Measurement Focus**

**Government-wide Financial Statements**

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities reports increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**Fund Financial Statements**

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**Revenues - Exchange and Non-exchange Transactions**

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

Nonexchange 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 (see Note 7). 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available for advance, grants and interest.

**Deferred Revenue**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2002, the School District's investments were limited to nonnegotiable certificates of deposit, repurchase agreements, State Treasury Assets Reserve of Ohio (STAR Ohio), Federal Home Loan Mortgage Corporation Bonds and Federal Home Loan Bank Bonds. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

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 fiscal year 2002 amounted to \$20,735, which includes \$10,942 from other School District funds.

For purposes of the statement of cash flows the enterprise funds' portion of Equity in Pooled Cash and Cash Equivalents is considered a cash equivalent because the enterprise funds can access their balance of the investment pool at any time without prior notice or penalty.

**F. Interfund Balances**

On fund financial statements, outstanding interfund loans are reported as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business type activities, which are presented as internal balances.

**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories consist of donated food and consumable supplies.

**I. Capital Assets**

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

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

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

| Description                | Governmental<br>Activities<br>Estimated Lives | Business-Type<br>Activities<br>Estimated Lives |
|----------------------------|---|--|
| Land Improvements          | 15 years                                      | N/A  |
| Buildings and Improvements | 20 - 50 years                                 | N/A  |
| Furniture and Equipment    | 8 - 10 years                                  | 10 - 20 years                                  |
| Vehicles                   | 10 years                                      | N/A  |
| Textbooks                  | 5 years                                       | N/A  |

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 employees with at least fifteen years of service for all positions.

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

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

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

**L. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2002. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings 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.

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

**N. Interfund Transactions**

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

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

**O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales and charges for services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

**P. Estimates**

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

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

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

**Q. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**R. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.



***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND CORRECTION OF AN ERROR**

**Changes in Accounting Principles**

For fiscal year 2002, the Educational Service Center has implemented 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 for State and Local Governments: Omnibus,” GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” and “GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. At June 30, 2001, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37 and 38.

GASB 34 creates new basic financial statements 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.

The government-wide financial statements split the School District’s programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

These restatements had the following effect on the fund balances of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND CORRECTION OF AN ERROR** (continued)

|   | General            | Vocational<br>Education<br>Equipment | Nonmajor         | Total              |
|---|--------------------|--------------------------------------|------------------|--------------------|
| Fund Balances, June 30, 2001                      | \$1,979,489        | \$980,531                            | \$130,461        | \$3,090,481        |
| Interfund Receivable                              | (172)              | 0                                    | 0                | (172)              |
| Fund Reclassifications                            | 0                  | 0                                    | 211,896          | 211,896            |
| Interpretation No. 6 Adjustments                  | 5,205              | 0                                    | 0                | 5,205              |
| Adjusted Fund Balance, June 30, 2001              | <u>\$1,984,522</u> | <u>\$980,531</u>                     | <u>\$342,357</u> | 3,307,410          |
| GASB No. 34 Adjustments:                          |                    |                                      |                  |                    |
| Deferred Assets:                                  |                    |                                      |                  |                    |
| Delinquent Property Taxes                         |                    |                                      |                  | 82,443             |
| Intergovernmental Receivables                     |                    |                                      |                  | 36,852             |
| Capital Assets                                    |                    |                                      |                  | 3,818,678          |
| Intergovernmental Payable                         |                    |                                      |                  | (4,523)            |
| Long-Term Liabilities:                            |                    |                                      |                  |                    |
| Compensated Absences                              |                    |                                      |                  | <u>(168,906)</u>   |
| Governmental Activities Net Assets, June 30, 2001 |                    |                                      |                  | <u>\$7,071,954</u> |

**Change in Accounting Principle/Correction of an Error – Enterprise Fund**

The Food Service fund was reclassified from a Business Type Activity to a Governmental Activity. In fiscal year 2001, depreciation for capital assets in the adult education enterprise fund was overstated by \$2,582. These restatements had the following effect on net assets for the enterprise funds.

|                                    | Adult<br>Education | Other<br>Enterprise<br>Funds | Total            |
|------------------------------------|--------------------|------------------------------|------------------|
| Net Assets, June 30, 2001          | \$333,269          | \$376,867                    | \$710,136        |
| Fund Reclassifications             | 0                  | (259,476)                    | (259,476)        |
| Restatement of Depreciation        | (2,582)            | 0                            | (2,582)          |
| Restated Net Assets, June 30, 2001 | <u>\$330,687</u>   | <u>\$117,391</u>             | <u>\$448,078</u> |

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 4 – ACCOUNTABILIT AND COMPLIANCE**

**A. Accountability**

At June 30, 2002, the Adult Education and the Vocational Education Special Revenue funds had deficit fund balances of \$600, and \$10,105, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The District did not certify the availability of funds for certain expenditures.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

| <u>Net Change in Fund Balance</u> |                         |
|-----------------------------------|-------------------------|
| GAAP Basis                        | \$521,189               |
| Adjustments:                      |                         |
| Revenue Accruals                  | (54,641)                |
| Expenditure Accruals              | 88,522                  |
| Transfers                         | (200)                   |
| Advances                          | (57,050)                |
| Encumbrances                      | <u>(256,621)</u>        |
| Budget Basis                      | <u><u>\$241,199</u></u> |

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At year end, the School District had \$750 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

*Deposits:* At fiscal year-end, the carrying amount of the School District's deposits was \$2,047,887 and the bank balance was \$2,228,099. Of the bank balance, \$1,736,092 was covered by federal depository insurance and \$492,007 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

|   | <u>Category 2</u> | <u>Category 3</u>  | <u>Carrying and<br/>Fair Value</u> |
|---|-------------------|--------------------|------------------------------------|
| Repurchase Agreement                            | \$0               | \$1,612,585        | \$1,612,585                        |
| STAR Ohio                                       | 0                 | 0                  | 211,220                            |
| Federal Home Loan Mortgage<br>Corporation Bonds | 350,000           | 0                  | 350,000                            |
| Federal Home Loan Bank Bonds                    | 615,258           | 0                  | 615,258                            |
| Total Investments                               | <u>\$965,258</u>  | <u>\$1,612,585</u> | <u>\$2,789,063</u>                 |

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

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

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

|                                     | Cash and Cash<br>Equivalents/<br>Deposits | Investments        |
|-------------------------------------|---|--------------------|
| GASB Statement 9                    | \$4,837,700                               | \$0                |
| Cash on Hand                        | (750)                                     | 0                  |
| Investments:                        |   |                    |
| Repurchase Agreement                | (1,612,585)                               | 1,612,585          |
| STAR Ohio                           | (211,220)                                 | 211,220            |
| Federal Home Loan Corporation Bonds | (350,000)                                 | 350,000            |
| Federal Home Loan Bank Bonds        | (615,258)                                 | 615,258            |
| GASB Statement 3                    | <u>\$2,047,887</u>                        | <u>\$2,789,063</u> |

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 7 - PROPERTY TAXES** (continued)

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2002 tangible personal property tax settlement was not received until July 2002.

The assessed values upon which fiscal year 2002 taxes were collected are:

|   | 2001 Second-<br>Half Collections |                | 2002 First-<br>Half Collections |                |
|---|----------------------------------|----------------|---------------------------------|----------------|
|   | Amount                           | Percent        | Amount                          | Percent        |
| Agricultural/Residential<br>and Other Real Estate | \$471,400,700                    | 85.87%         | \$472,097,070                   | 85.80%         |
| Public Utility                                    | 163,370                          | 0.03%          | 53,935,710                      | 9.80%          |
| Tangible Personal Property                        | 77,404,489                       | 14.10%         | 24,214,909                      | 4.40%          |
| Total Assessed Value                              | <u>\$548,968,559</u>             | <u>100.00%</u> | <u>\$550,247,689</u>            | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation     | \$5.80                           |                | \$5.80                          |                |

The School District receives property taxes from Brown and Highland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes the late settlement of personal property taxes and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim.

Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 and the late settlement of personal property taxes were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2002, was \$230,222 in the General Fund and \$20,116 in the nonmajor governmental funds.



**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

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**NOTE 7 - PROPERTY TAXES** (continued)

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue is deferred.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2002, consisted of interest, interfund, intergovernmental grants, and property taxes. 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. All receivable amounts are expected to be received within one year. A summary of the principal items of intergovernmental receivables follows:

|                                     | <u>Amount</u>          |
|-------------------------------------|------------------------|
| Governmental Activities:            |                        |
| Adult Basic Literacy Education      | \$4,000                |
| Vocational Education                | 24,469                 |
| Vocational Education Equipment      | <u>14,948</u>          |
| Total Governmental Activities       | \$43,417               |
| <br>                                |                        |
| Business-Type Activities            |                        |
| Adult Education                     | <u>12,858</u>          |
| <br>                                |                        |
| Total Intergovernmental Receivables | <u><u>\$56,275</u></u> |

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

|   | Restated<br>Ending<br>Balance<br>6/30/2001 | Additions   | Deletions | Ending<br>Balance<br>6/30/2002 |
|---|--|-------------|-----------|--------------------------------|
| <b>Governmental Activities</b>              |  |             |           |                                |
| Capital Assets, Not Being Depreciated       |  |             |           |                                |
| Land  | \$68,701                                   | \$0         | \$0       | \$68,701                       |
| Construction in Progress                    | 48,301                                     | 10,693      | 0         | 58,994                         |
| Total Capital Assets, Not Being Depreciated | 117,002                                    | 10,693      | 0         | 127,695                        |
| Capital Assets Being Depreciated            |  |             |           |                                |
| Land Improvements                           | 363,170                                    | 810         | 0         | 363,980                        |
| Buildings and Improvements                  | 5,136,330                                  | 2,070       | 0         | 5,138,400                      |
| Furniture and Equipment                     | 3,320,919                                  | 376,262     | (23,762)  | 3,673,419                      |
| Vehicles                                    | 167,670                                    | 17,904      | 0         | 185,574                        |
| Total Capital Assets, Being Depreciated     | 8,988,089                                  | 397,046     | (23,762)  | 9,361,373                      |
| Less Accumulated Depreciation:              |  |             |           |                                |
| Land Improvements                           | (295,110)                                  | (25,885)    | 0         | (320,995)                      |
| Buildings and Improvements                  | (2,766,388)                                | (97,450)    | 0         | (2,863,838)                    |
| Furniture and Equipment                     | (2,090,334)                                | (239,749)   | 15,527    | (2,314,556)                    |
| Vehicles                                    | (134,581)                                  | (12,657)    | 0         | (147,238)                      |
| Total Accumulated Depreciation              | (5,286,413)                                | (375,741) * | 15,527    | (5,646,627)                    |
| Total Capital Assets Being Depreciated, Net | 3,701,676                                  | 21,305      | (8,235)   | 3,714,746                      |
| Governmental Activities Capital Assets, Net | \$3,818,678                                | \$31,998    | (\$8,235) | \$3,842,441                    |

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 9 - CAPITAL ASSETS** (continued)

\* Depreciation expense was charged to governmental functions as follows:

|  |                         |
|--|-------------------------|
| Instruction:                           |                         |
| Regular                                | \$9,225                 |
| Vocational                             | 266,929                 |
| Support Services:                      |                         |
| Pupil                                  | 7,709                   |
| Instructional Staff                    | 31,424                  |
| Board of Education                     | 252                     |
| Administration                         | 7,846                   |
| Fiscal                                 | 2,822                   |
| Operation and Maintenance of Plant     | 22,290                  |
| Pupil Transportation                   | 14,228                  |
| Central                                | 4,160                   |
| Operation of Non-Instruction Services: |                         |
| Food Services                          | 8,856                   |
| Total Depreciation Expense             | <u><u>\$375,741</u></u> |

|  | Balance<br>6/30/2001  | Additions             | Deletions         | Balance<br>6/30/2002  |
|--|-----------------------|-----------------------|-------------------|-----------------------|
| <b>Business-Type Activities</b>              |                       |                       |                   |                       |
| Furniture and Equipment                      | \$32,933              | \$3,882               | \$0               | \$36,815              |
| Less Accumulated Depreciation                | <u>(29,744)</u>       | <u>(1,337) **</u>     | <u>0</u>          | <u>(31,081)</u>       |
| Business-Type Activities Capital Assets, Net | <u><u>\$3,189</u></u> | <u><u>\$2,545</u></u> | <u><u>\$0</u></u> | <u><u>\$5,734</u></u> |

\*\* Depreciation expense was charged to business-type activities as follows:

|                 |         |
|-----------------|---------|
| Adult Education | \$1,337 |
|-----------------|---------|

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Selective Insurance Company for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate. Property is protected by the Indiana Insurance Company and holds a \$1,000 deductible. The School District's vehicles are covered by the Indiana Insurance Company under a business policy and hold a \$500 deductible for comprehensive and collision with a \$1,000,000 limit on any accident. School Board errors and omissions coverage is provided by Zurich and has a \$1,000,000 limit. Settled claims have not exceeded this commercial coverage in any of the past three years.

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

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**NOTE 10 - RISK MANAGEMENT** (continued)

Nationwide Insurance Company discontinued all school insurance policies during the fiscal year. Due to this, the District requested bids from other insurance companies during the year. New coverage contained a \$1,000,000 reduction in general liability coverage, along with significant increases in premium costs.

**B. Workers' Compensation**

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical and Dental Benefits**

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity risk pool (Note 17) consisting of seven districts. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and benefits. The Consortium is responsible for the management and operations of the program.

Upon termination from the Consortium, for any reason, the terminated member assumes and is responsible for the payment of any delinquent contributions.

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$32,000, \$22,647, and \$26,094, respectively; 97.01 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$958 represents the unpaid contribution for fiscal year 2002.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$194,045, \$221,111, and \$120,368, respectively; 85.55 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$28,047 represents the unpaid contribution for fiscal year 2002.

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$91,916 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$54,264.

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

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each year under contract. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 55 days for all personnel.

**B. Other Employee Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. Dental insurance is provided by the School District through CoreSource, Inc. Medical claims coverage is provided by the Brown County Schools Benefits Consortium.

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

|                                 | Amount<br>Outstanding<br>6/30/01 | Additions | Deductions | Amount<br>Outstanding<br>6/30/02 | Amounts Due<br>in One Year |
|---------------------------------|----------------------------------|-----------|------------|----------------------------------|----------------------------|
| <u>Governmental Activities:</u> |                                  |           |            |                                  |                            |
| Compensated Absences            | \$168,906                        | \$45,929  | \$48,052   | \$166,783                        | \$20,244                   |

Compensated absences will be paid from the general fund.

The School District's overall legal debt margin was \$49,522,292 with an unvoted debt margin of \$550,248 at June 30, 2002.

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 15 - INTERFUND ACTIVITY**

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

|                                       | <b>Receivable</b>   |
|---------------------------------------|---------------------|
|                                       | <b>General Fund</b> |
|                                       | <hr/>               |
| <b>Payable</b>                        |                     |
| All Other Nonmajor Governmental Funds | \$127,250           |
| All Other Nonmajor Enterprise Funds   | 11,050              |
|                                       | <hr/> <hr/>         |
| Total                                 | \$138,300           |
|                                       | <hr/> <hr/>         |

The amounts due to the general fund from other nonmajor governmental funds are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The general fund will be reimbursed when funds become available in the nonmajor governmental funds.

The amount due to the general fund from other nonmajor enterprise funds is the result of an advance made from the general fund to the rotary fund. These monies were advanced to the rotary fund to purchase materials for use in construction of a house by the carpentry students, which was later auctioned to raise money for the School District.

Transfers made during the year ended June 30, 2002 were as follows:

|                                       | <b>Transfers From</b> |
|---------------------------------------|-----------------------|
|                                       | <b>General Fund</b>   |
|                                       | <hr/>                 |
| <b>Transfers To</b>                   |                       |
| All Other Nonmajor Governmental Funds | \$120,110             |
| Adult Education                       | 120,000               |
| All Other Nonmajor Enterprise Funds   | 15,000                |
|                                       | <hr/>                 |
| Totals                                | \$255,110             |
|                                       | <hr/> <hr/>           |

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.



## ***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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### **NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$20,948 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

### **NOTE 17 - PUBLIC ENTITY RISK POOL**

*Brown County Schools Benefits Consortium* - Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium, a public entity risk pool. The overall objectives of the Consortium are to formulate and administer a program of health and dental insurance for the benefit of the Consortium members' employees and their dependents. The public entity risk pool is made up of an insurance purchasing pool and a public entity shared risk pool. The insurance purchasing pool provides fully funded medical health insurance benefits directly to consortium member employees, through Medical Mutual of Ohio. The School District pays premiums based on employee membership. Dental insurance is provided through a public entity risk sharing pool. The School District pays dental premiums based on Consortium estimates of future claims. If the School District's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 17 - PUBLIC ENTITY RISK POOL** (continued)

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

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

For fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refunds received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

|   | <u>Textbooks</u>   | <u>Capital<br/>Acquisition</u> | <u>Budget<br/>Stabilization</u> |
|---|--------------------|--------------------------------|---------------------------------|
| Set-aside Reserve Balance as of June 30, 2001                       | (\$135,338)        | \$0                            | \$20,297                        |
| Current Year Set-aside Replacement                                  | 46,218             | 46,218                         | 0                               |
| Qualifying Disbursements  | <u>(171,990)</u>   | <u>(379,149)</u>               | <u>0</u>                        |
| Totals  | <u>(261,110)</u>   | <u>(332,931)</u>               | <u>20,297</u>                   |
| Set-aside Reserve Balance Carried Forward<br>to Future Fiscal Years | <u>(\$261,000)</u> | <u>\$0</u>                     | <u>(\$20,297)</u>               |
| Set-aside Reserve Balance as of June 30, 2002                       | <u>\$0</u>         | <u>\$0</u>                     | <u>\$20,297</u>                 |

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

***SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

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**NOTE 19 – 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 on its future State funding and on its financial operations.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

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

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the basic financial statements of the Southern Hills Joint Vocational School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated January 13, 2003. 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 basic 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 basic 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 2002-10408-001.

**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 basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 basic financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10408-001.

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 believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in the this report, that we have reported to management of the District in a separate letter dated January 13, 2003.

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



**Betty Montgomery**  
Auditor of State

January 13, 2003

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2002**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2002-10408-001**

**Material Noncompliance / Reportable Condition**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This Section also provides for two exceptions to the above requirement:

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

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not properly certified for 23% of expenditures tested. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the District obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2002**

| <u>Finding Number</u> | <u>Finding Summary</u>  | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ;<br><b><i>Explain:</i></b> |
|-----------------------|---|-------------------------|--|
| 2001-10408-001        | The District did not certify funds prior to making some expenditures as required by Rev. Code Section 5705.41(D). | No                      | The finding was reissued as finding No. 2002-10408-001.  |





**Auditor of State  
Betty Montgomery**

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**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2003**