



**Auditor of State
Betty Montgomery**

**LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LICKING COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Licking County Joint Vocational School District
Licking County
150 Price Road
Newark, Ohio 43055

To the Board of Education:

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

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

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

As described in Note 3, in prior years the District prepared its financial statements on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Effective July 1, 2002, the District has changed its basis of accounting to follow generally accepted accounting principles. Accordingly, beginning balances have been restated as further discussed in Note 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

April 7, 2004

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

The discussion and analysis of the Licking County Joint Vocational School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

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 Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- Total assets of Licking County Joint Vocational School District exceeded its liabilities at June 30, 2003 by \$13,071,785. This balance was comprised of a \$8,063,585 balance in capital assets net of related debt and net asset amounts restricted for specific purposes, and \$5,008,200 in unrestricted net assets.
- In total, net assets of governmental activities increased by \$3,102,086, which represents a 33.20 percent increase from 2002. Net assets of the business-type activities increased \$22,075, which represents a 3.66 percent increase from 2002.
- General revenues accounted for \$12,446,161 or 86.24 percent of all revenues of governmental activities. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,985,208 or 13.76 percent of total revenues of \$14,431,369 for the governmental activities.
- The District had \$11,291,954 in expenses related to governmental activities; only \$1,985,208 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$12,446,161 were used to provide for these programs.
- The District had \$1,398,416 in expenses related to business-type activities; \$1,383,162 of these expenses was offset by program specific charges for services and sales, grants or contributions. Transfers of \$37,329 were used to provide operational subsidization for these programs.
- The District recognizes three major governmental funds: the General, Bond Retirement and Building Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other governmental funds of the District combined. The General Fund had \$10,017,587 in revenues and \$8,543,422 in expenditures in fiscal year 2003.
- The District recognizes one major proprietary fund: the Adult Education Fund. In terms of dollars received and spent, the Adult Education Fund is significantly larger than all the other proprietary funds of the District combined. The Adult Education Fund had \$1,167,981 in revenues and \$1,173,141 in expenses in fiscal year 2003.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Licking County Joint Vocational School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. 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.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

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

In both of the government-wide financial statements, the District's activities are divided into two distinct kinds of activities:

Governmental Activities

Most of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Business-Type Activities

These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District rotary, cafeteria, and adult education operations are reported as business activities.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 18. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

Governmental Funds

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

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

Proprietary Funds

Proprietary funds have historically operated as enterprise funds using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the District as a whole.

Fiduciary Funds

The District's fiduciary funds are the private purpose trust and agency funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Private purpose trust funds are held in a trustee capacity for individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2003 compared to fiscal year 2002:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<u>Assets:</u>						
Current and Other Assets	\$52,499,698	\$11,819,499	\$247,191	\$147,300	\$52,746,889	\$11,966,799
Capital Assets, Net	5,406,816	4,392,774	477,888	547,273	5,884,704	4,940,047
<i>Total Assets</i>	57,906,514	16,212,273	725,079	694,573	58,631,593	16,906,846
<u>Liabilities:</u>						
Long-Term Liabilities	37,402,521	1,739,270	62,808	48,962	37,465,329	1,788,232
Other Liabilities	8,057,998	5,129,094	36,481	41,896	8,094,479	5,170,990
<i>Total Liabilities</i>	45,460,519	6,868,364	99,289	90,858	45,559,808	6,959,222
<u>Net Assets:</u>						
Invested in Capital Assets, Net of Related Debt	3,280,121	3,461,565	477,888	547,273	3,758,009	4,008,838
Restricted	4,305,576	2,180,346	0	0	4,305,576	2,180,346
Unrestricted	4,860,298	3,701,998	147,902	56,442	5,008,200	3,758,440
<i>Total Net Assets</i>	\$12,445,995	\$9,343,909	\$625,790	\$603,715	\$13,071,785	\$9,947,624

Current and other assets increased \$40,780,090 from fiscal year 2002 with governmental activities comprising \$40,680,199 of the increase. This increase is the result of an increase in cash and cash equivalents held by the District due to the \$35,000,000 proceeds of bonds issued and a \$3,458,323 increase in taxes receivable due to the new debt service tax levy. Capital assets increased by \$944,657 as a result of the construction in progress for the new facilities project.

Current (other) liabilities increased \$2,923,489 due to a deferred revenue increase related to taxes receivable.

Long-term liabilities increased significantly due to the addition of \$35,000,000 in general obligation bonds and \$711,194 in premium on the issuance of bonds.

The net assets of the District business-type activities increased \$22,075 or 3.66 percent. This change is mostly due to the rotary activities which increased \$15,429.

For governmental activities, the District's largest portion of net assets of \$4,860,298 or 39.05 percent is unrestricted. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
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(Unaudited)

The governmental portion of net assets related to amounts invested in capital assets, net of related debt of \$3,280,121 or 26.35 percent. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The remaining balance for governmental activities of \$4,305,576 or 34.59 percent is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
<u>Revenues:</u>			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$81,947	\$973,158	\$1,055,105
Operating Grants and Contributions	1,903,095	410,004	2,313,099
Capital Grants and Contributions	166	0	166
<i>General Revenues:</i>			
Property Taxes	7,321,210	0	7,321,210
Unrestricted Grants and Entitlements	3,422,615	0	3,422,615
Unrestricted Tuition and Fees	17,599	0	17,599
Investments Earnings	1,417,734	0	1,417,734
Gain on Sale of Capital Assets	480	0	480
Miscellaneous	266,523	0	266,523
<i>Total Revenues</i>	14,431,369	1,383,162	15,814,531
<u>Expenses:</u>			
<i>Program Expenses:</i>			
<i>Instruction:</i>			
Regular	1,489,096	0	1,489,096
Vocational	3,114,756	0	3,114,756
Adult/Continuing	449,671	0	449,671

(Continued)

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Table 2
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
<i>Support Services:</i>			
Pupils	946,177	0	946,177
Instructional Staff	1,301,172	0	1,301,172
Board of Education	38,673	0	38,673
Administration	835,023	0	835,023
Fiscal	440,671	0	440,671
Business	13,632	0	13,632
Operation and Maintenance of Plant	1,065,602	0	1,065,602
Pupil Transportation	38,064	0	38,064
Central	76,401	0	76,401
Operation of Non-Instructional Services	1,100	0	1,100
Extracurricular Activities	85,896	0	85,896
Interest and Fiscal Charges	1,396,020	0	1,396,020
Rotary	0	57,321	57,321
Cafeteria	0	167,954	167,954
Adult Education	0	1,173,141	1,173,141
<i>Total Expenses</i>	<u>11,291,954</u>	<u>1,398,416</u>	<u>12,690,370</u>
<i>Changes in Net Assets before Extraordinary Item and Transfers</i>	3,139,415	(15,254)	3,124,161
Net Transfers	<u>(37,329)</u>	<u>37,329</u>	<u>0</u>
<i>Changes in Net Assets</i>	3,102,086	22,075	3,124,161
Net Assets at Beginning of Year	<u>9,343,909</u>	<u>603,715</u>	<u>9,947,624</u>
Net Assets at End of Year	<u><u>\$12,445,995</u></u>	<u><u>\$625,790</u></u>	<u><u>\$13,071,785</u></u>

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Management's Discussion and Analysis
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(Unaudited)

The most significant program expenses for the District are Vocational Instruction, Regular Instruction, Instructional Staff, Interest and Fiscal Charges, and Operation and Maintenance of Plant. These programs account for 74.09 percent of the total governmental activities. Vocational Instruction, which accounts for 27.58 percent of the total, represents costs associated with providing instructional activities designed to prepare students to enter into the workforce with education in a trade or technical skills. Regular Instruction, which accounts for 13.19 percent of the total, represents costs associated with providing general educational services. Interest and Fiscal Charges, which accounts for 12.36 percent of the total, represents costs associated with the repayment of the District's debt. Instructional Staff, which represents 11.52 percent of the total, represents costs associated with assisting the teaching staff with the content and process of educating students. Operation and Maintenance of Plant, which represents 9.44 percent of the total, represents costs associated with the operating and maintaining the District's facilities.

The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs accounts for 74.45 percent of total revenues for governmental activities.

The most significant program expenses for the District's business-type activities is Adult Education. This program, which accounts for 83.89 percent of the total business-type activities, represents costs associated with providing instructional activities designed to develop basic education and job training for adults. All of the funding for this program comes from tuition and fees, grants, and contributions.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 50.28 percent and intergovernmental revenue made up 36.98 percent of the total revenue for the governmental funds in fiscal year 2003.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation until the millage rate has been reduced to 2 mills. The District's operating millage rate is currently at 2 mills and collections do increase/decrease correspondingly with fluctuations in property valuations.

The District's 1.0 mill Debt Service Levy is an important piece of the financial picture. The levy is set to receive approximately \$3,000,000 and is to be used to fund the debt payments for the general obligation bonds issued to construct new facilities. The levy was first passed by District voters in 2002 and collection began in 2003.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2003, the District received \$3,805,246 through the State's foundation program, which represents 25.87 percent of the total revenue for the governmental funds. The District relies on this state funding to operate at the current levels of service.

Instruction accounts for 44.75 percent of governmental program expenses. Support services expenses make up 42.11 percent of governmental expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Management's Discussion and Analysis
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(Unaudited)

Business-Type Activities

Business-type activities include the rotary activities, cafeteria operations, and the adult education program. These programs had program revenues of \$1,383,162 and expenses of \$1,398,416 for fiscal year 2003. Over 54 percent of those program revenues were from tuition and classroom materials and fees for the adult education program.

Table 3 shows, the total cost of services and the net cost of services for fiscal year 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Activities

	Total Cost of Services	Net Cost of Services
	2003	2003
<i>Program Expenses:</i>		
<i>Governmental Activities:</i>		
Instruction	\$5,053,523	\$3,171,356
Support Services	4,755,415	4,682,350
Operation of Non-Instructional Services	1,100	1,100
Extracurricular Activities	85,896	55,920
Interest and Fiscal Charges	1,396,020	1,396,020
<i>Business-Type Activities:</i>		
Rotary	57,321	(15,429)
Cafeteria	167,954	25,523
Adult Education	1,173,141	5,160
Total Expenses	\$12,690,370	\$9,322,000

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$51,366,385 and expenditures and other financing uses of \$14,075,405.

Total governmental funds fund balance increased by \$37,380,980. The increase in fund balance for the year was most significant in the Building Fund, an increase of \$35,100,296 reflecting general obligation bond proceeds of \$35,000,000. An increase of \$1,015,758 in the Bond Retirement Fund is the result of the new debt service tax levy revenue during fiscal year 2003 and only one interest payment being made on the debt.

The District should remain stable in fiscal years 2004 through 2007. However, projections beyond fiscal year 2007 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Budget Highlights - General Fund

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

During the course of a fiscal year, the District may amend its General Fund budget several times. The District uses a modified program-based budget technique that is designed to control program budgets while providing building administrators and supervisors flexibility for program management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenues available from all sources was \$9,810,094. The District only filed a Certificate of the Total Amount from all Sources Available for Expenditures at the end of the year so there are no original budget amounts shown. For the General Fund, the final budget basis expenditures were \$13,268,435 representing no change from the original budget expenditures. The final budget reflected no change since there were no amendments made during the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the District had \$12.4 million invested in capital assets in the governmental activities and \$1.4 million in the business-type activities. These totals carry accumulated depreciation of \$7.0 million and \$0.9 million, respectively. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Table 4
Capital Assets & Accumulated Depreciation at June 30, 2003

	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
<i>Nondepreciable Assets:</i>				
Land	\$242,114	\$242,114	\$0	\$0
Construction in Progress	1,118,105	0	0	0
<i>Depreciable Assets:</i>				
Land Improvements	676,908	676,908	0	0
Buildings and Improvements	7,049,793	7,049,793	849,807	849,807
Furniture, Fixtures and Equipment	2,697,764	2,370,252	515,306	507,608
Vehicles	524,000	524,000	0	0
Library Books and Textbooks	138,580	138,580	0	0
<i>Total Capital Assets</i>	12,447,264	11,001,647	1,365,113	1,357,415
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(582,312)	(543,771)	0	0
Buildings and Improvements	(4,133,176)	(3,919,275)	(580,701)	(552,375)
Furniture, Fixtures and Equipment	(1,814,446)	(1,656,801)	(306,524)	(257,767)
Vehicles	(385,792)	(364,304)	0	0
Library Books and Textbooks	(124,722)	(124,722)	0	0
<i>Total Accumulated Depreciation</i>	(7,040,448)	(6,608,873)	(887,225)	(810,142)
Capital Assets, Net	<u>\$5,406,816</u>	<u>\$4,392,774</u>	<u>\$477,888</u>	<u>\$547,273</u>

More detailed information pertaining to the District's capital asset activity can be found in the notes to the basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Debt Administration

At June 30, 2003, the District had \$35,834,525 in general obligation debt outstanding with \$1,616,750 due within one year. Table 5 summarizes bonds and notes outstanding for fiscal year 2003 compared to fiscal year 2002.

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2003	2002
Energy Conservation Note	\$834,525	\$931,209
General Obligation Bonds	35,000,000	0
Total	\$35,834,525	\$931,209

More detailed information pertaining to the District's long-term debt activity can be found in the notes to the basic financial statements.

Current Issues

Although considered a mid-wealth district, Licking County Joint Vocational School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes and state funding. State funding does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding from property taxes to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

As indicated in the preceding financial information, the District relies on the State funding for over a quarter of their funding. Starting in the summer of 2003 the Governor's Blue Ribbon Task Force on Financing Student Success will begin the challenge of developing a school funding system that is effective and for which a consensus can be developed. As of the date of these financial statements, the District is unable to determine what effect, if any, this task force will have on its future State funding and on its financial statements.

The State Legislature has also made several significant changes impacting local taxes:

In 2003 the Ohio Legislature modified the provisions of the 1999 HB283. This bill was designed to reduce the assessed valuation of the inventory component of personal property tax from 25 percent to 0 percent by 2031. The modification speeds up the reduction of assessed valuation to be completed in half the original time. Effective January 1, 2001 non-municipal owned electric utilities and rural cop-ops were deregulated in the State of Ohio. All electric company personal property were reduced from 100 percent assessed value (from 50 percent for rural co-ops) to 25 percent. (Distribution and transmission of personal property will continue to be assessed at 88 percent.) This significantly reduced revenues to certain school districts and moderately affects others.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Effective May 1, 2001 a kilowatt hour (KWH) tax began being collected. 37.8 percent of these new dollars would be deposited in a new Property Tax Replacement Fund (PTRF). 70 percent of the PTRF will be paid to school districts that lost revenue as determined by the Ohio Department of Taxation. First, distribution will be made to cover costs of fixed sum levies such as debt issues and emergency levies. Next, fixed rate levies would be replaced from 2002 through 2006; after this a phase out formula would begin.

The above changes affect about 13 percent of property tax revenue. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved. Residential/agricultural property contributes 73 percent of the District's real estate valuation.

Commercial growth saw an increase in assessed valuation in calendar 2003. This was mainly due to increased valuation of the businesses located mainly in Licking County.

The District is in the process of building a 350,000 square foot facility. This facility will be able to accommodate over 800 students which will be a 300 student population growth. It will allow for more adult education students to be served through additional facilities. The District is anticipating increases in expenses related to the maintenance of the new building and has included them in the five year forecast however, the District does not anticipate any additional expenses related to instruction when the building opens.

The District is also currently expanding the Career Technical Education Offerings throughout Licking County. The District will be expanding and offering more Career Course Programs off campus at our Associate School locations. These programs will be conducted by the District at those locations. We are anticipating significant enrollment increases due to these offerings. These increases in enrollment will bring in additional revenue from the state foundation program to help offset expenses related to those programs.

We are performing program reviews on our current program offerings to assure their relevance and performance. We will be ending those programs that do not meet enrollment or performance standards. Current programs that have high enrollments and exceed performance standards may be expanded to two teacher programs in the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Cory Thompson, Treasurer/CFO of Licking County Joint Vocational School Board of Education, 150 Price Road, Newark, Ohio 43055.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$43,468,940	\$230,122	\$43,699,062
Property Taxes Receivable	8,284,364	0	8,284,364
Accounts Receivable	2,942	77,161	80,103
Intergovernmental Receivable	276,317	39,908	316,225
Accrued Interest Receivable	334,380	0	334,380
Internal Balance	100,000	(100,000)	0
Prepaid Items	32,755	0	32,755
Nondepreciable Capital Assets	1,360,219	0	1,360,219
Depreciable Capital Assets, Net	4,046,597	477,888	4,524,485
<i>Total Assets</i>	<u>57,906,514</u>	<u>725,079</u>	<u>58,631,593</u>
<u>Liabilities:</u>			
Accounts Payable	70,455	1,512	71,967
Accrued Wages and Benefits	649,586	6,483	656,069
Contracts Payable	133,333	0	133,333
Intergovernmental Payable	196,606	28,486	225,092
Accrued Interest Payable	115,013	0	115,013
Deferred Revenue	6,893,005	0	6,893,005
<i>Long-Term Liabilities:</i>			
Due within One Year	1,784,299	20,039	1,804,338
Due in More Than One Year	35,618,222	42,769	35,660,991
<i>Total Liabilities</i>	<u>45,460,519</u>	<u>99,289</u>	<u>45,559,808</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	3,280,121	477,888	3,758,009
<i>Restricted for:</i>			
Capital Projects	3,766,116	0	3,766,116
Debt Service	359,726	0	359,726
Other Purposes	179,734	0	179,734
Unrestricted	4,860,298	147,902	5,008,200
<i>Total Net Assets</i>	<u>\$12,445,995</u>	<u>\$625,790</u>	<u>\$13,071,785</u>

See accompanying notes to the basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2003

	Program Revenues		
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities:</u>			
<i>Instruction:</i>			
Regular	\$1,489,096	\$0	\$0
Vocational	3,114,756	51,971	1,541,457
Adult/Continuing	449,671	0	288,739
<i>Support Services:</i>			
Pupils	946,177	0	59,859
Instructional Staff	1,301,172	0	8,040
Board of Education	38,673	0	0
Administration	835,023	0	0
Fiscal	440,671	0	5,000
Business	13,632	0	0
Operation and Maintenance of Plant	1,065,602	0	0
Pupil Transportation	38,064	0	0
Central	76,401	0	0
Operation of Non-Instructional Services	1,100	0	0
Extracurricular Activities	85,896	29,976	0
Interest and Fiscal Charges	1,396,020	0	0
<i>Total Governmental Activities</i>	11,291,954	81,947	1,903,095
<u>Business-Type Activities:</u>			
Rotary	57,321	72,750	0
Cafeteria	167,954	142,431	0
Adult Education	1,173,141	757,977	410,004
<i>Total Business-Type Activities</i>	1,398,416	973,158	410,004
<i>Totals</i>	\$12,690,370	\$1,055,105	\$2,313,099

General Revenues:

Property Taxes Levied for:

- General Purposes
- Debt Service
- Grants and Entitlements not Restricted to Specific Programs
- Unrestricted Tuition and Fees
- Investment Earnings
- Gain on Sale of Capital Assets
- Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year - As Restated (See Note 3)

Net Assets at End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,489,096)	\$0	(\$1,489,096)
(1,521,328)	0	(1,521,328)
(160,932)	0	(160,932)
(886,318)	0	(886,318)
(1,292,966)	0	(1,292,966)
(38,673)	0	(38,673)
(835,023)	0	(835,023)
(435,671)	0	(435,671)
(13,632)	0	(13,632)
(1,065,602)	0	(1,065,602)
(38,064)	0	(38,064)
(76,401)	0	(76,401)
(1,100)	0	(1,100)
(55,920)	0	(55,920)
(1,396,020)	0	(1,396,020)
(9,306,746)	0	(9,306,746)
0	15,429	15,429
0	(25,523)	(25,523)
0	(5,160)	(5,160)
0	(15,254)	(15,254)
(9,306,746)	(15,254)	(9,322,000)
5,590,082	0	5,590,082
1,731,128	0	1,731,128
3,422,615	0	3,422,615
17,599	0	17,599
1,417,734	0	1,417,734
480	0	480
266,523	0	266,523
12,446,161	0	12,446,161
(37,329)	37,329	0
12,408,832	37,329	12,446,161
3,102,086	22,075	3,124,161
9,343,909	603,715	9,947,624
<u>\$12,445,995</u>	<u>\$625,790</u>	<u>\$13,071,785</u>

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2003*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$4,924,818	\$718,269	\$34,899,249	\$2,926,604	\$43,468,940
Property Taxes Receivable	5,522,910	2,761,454	0	0	8,284,364
Accounts Receivable	0	0	0	2,942	2,942
Intergovernmental Receivable	0	0	0	276,317	276,317
Accrued Interest Receivable	0	0	334,380	0	334,380
Interfund Receivable	455,568	0	0	0	455,568
Prepaid Items	32,755	0	0	0	32,755
<i>Total Assets</i>	<u>\$10,936,051</u>	<u>\$3,479,723</u>	<u>\$35,233,629</u>	<u>\$3,205,863</u>	<u>\$52,855,266</u>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$58,146	\$0	\$0	\$12,309	\$70,455
Accrued Wages and Benefits	642,413	0	0	7,173	649,586
Contracts Payable	0	0	133,333	0	133,333
Intergovernmental Payable	130,470	0	0	11,627	142,097
Interfund Payable	0	0	0	355,568	355,568
Deferred Revenue	4,927,935	2,463,965	0	273,336	7,665,236
Compensated Absences Payable	64,557	0	0	0	64,557
<i>Total Liabilities</i>	<u>5,823,521</u>	<u>2,463,965</u>	<u>133,333</u>	<u>660,013</u>	<u>9,080,832</u>
<u>Fund Balances:</u>					
Reserved for Encumbrances	362,619	0	632,753	174,015	1,169,387
Reserved for Property Taxes	594,975	297,489	0	0	892,464
<i>Unreserved, Undesignated, Reported in:</i>					
General Fund	4,154,936	0	0	0	4,154,936
Special Revenue Funds	0	0	0	(134,351)	(134,351)
Debt Service Fund	0	718,269	0	0	718,269
Capital Projects Funds	0	0	34,467,543	2,506,186	36,973,729
<i>Total Fund Balances</i>	<u>5,112,530</u>	<u>1,015,758</u>	<u>35,100,296</u>	<u>2,545,850</u>	<u>43,774,434</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,936,051</u>	<u>\$3,479,723</u>	<u>\$35,233,629</u>	<u>\$3,205,863</u>	<u>\$52,855,266</u>

See accompanying notes to the basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2003

Total Governmental Funds Balances \$43,774,434

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. 5,406,816

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

Property taxes	498,895
Intergovernmental	<u>273,336</u>

Total receivables that are deferred in the funds 772,231

Intergovernmental payables include contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (54,509)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Energy conservation notes	(834,525)
General obligation bonds	(35,000,000)
Premiums on bonds issued	(711,194)
Accrued interest on notes and bonds	(115,013)
Compensated absences	<u>(792,245)</u>

Total liabilities that are not reported in the funds (37,452,977)

Net Assets of Governmental Activities \$12,445,995

See accompanying notes to the basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2003

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$5,467,514	\$1,564,830	\$0	\$0	\$7,032,344
Intergovernmental	4,174,062	0	0	998,743	5,172,805
Interest	238,507	0	1,148,943	29,475	1,416,925
Tuition and Fees	15,257	0	0	54,313	69,570
Extracurricular Activities	0	0	0	29,976	29,976
Charges for Services	31,000	0	0	0	31,000
Miscellaneous	91,247	0	0	143,089	234,336
<i>Total Revenues</i>	<u>10,017,587</u>	<u>1,564,830</u>	<u>1,148,943</u>	<u>1,255,596</u>	<u>13,986,956</u>
<u>Expenditures:</u>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	1,472,966	0	0	1,276	1,474,242
Vocational	2,745,590	0	0	187,811	2,933,401
Adult/Continuing	111,224	0	0	354,502	465,726
<i>Support Services:</i>					
Pupils	635,395	0	0	292,295	927,690
Instructional Staff	821,435	0	0	468,027	1,289,462
Board of Education	38,099	0	0	0	38,099
Administration	822,619	270	0	29,478	852,367
Fiscal	399,653	21,374	0	3,404	424,431
Business	73,184	0	0	0	73,184
Operation and Maintenance of Plant	1,060,406	0	0	0	1,060,406
Pupil Transportation	15,928	0	0	0	15,928
Central	145,856	0	0	30,038	175,894
Operation of Non-Instructional Services	100	0	0	1,000	1,100
Extracurricular Activities	55,967	0	0	29,929	85,896
Capital Outlay	2,054	0	1,048,647	30,226	1,080,927
<i>Debt Service:</i>					
Principal Retirement	96,684	0	0	0	96,684
Interest and Fiscal Charges	46,262	718,232	520,390	0	1,284,884
<i>Total Expenditures</i>	<u>8,543,422</u>	<u>739,876</u>	<u>1,569,037</u>	<u>1,427,986</u>	<u>12,280,321</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,474,165</u>	<u>824,954</u>	<u>(420,094)</u>	<u>(172,390)</u>	<u>1,706,635</u>
<u>Other Financing Sources (Uses):</u>					
Proceeds from the Sale of Capital Assets	480	0	0	0	480
General Obligation Bonds Issued	0	0	35,000,000	0	35,000,000
Premium on Debt Issuance	0	0	711,194	0	711,194
Transfers In	0	190,804	0	1,566,951	1,757,755
Transfers Out	(1,604,280)	0	(190,804)	0	(1,795,084)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,603,800)</u>	<u>190,804</u>	<u>35,520,390</u>	<u>1,566,951</u>	<u>35,674,345</u>
<i>Net Change in Fund Balances</i>	<u>(129,635)</u>	<u>1,015,758</u>	<u>35,100,296</u>	<u>1,394,561</u>	<u>37,380,980</u>
<i>Fund Balances at Beginning of Year - As Restated (See Note 3)</i>	<u>5,242,165</u>	<u>0</u>	<u>0</u>	<u>1,151,289</u>	<u>6,393,454</u>
<i>Fund Balances at End of Year</i>	<u>\$5,112,530</u>	<u>\$1,015,758</u>	<u>\$35,100,296</u>	<u>\$2,545,850</u>	<u>\$43,774,434</u>

See accompanying notes to the basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds		\$37,380,980
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
		1,014,042
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:		
Property taxes	288,866	
Intergovernmental	155,065	
Total revenues not reported in the funds		443,931
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from general obligation bonds, including a premium of \$711,194.		
		(35,711,194)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		96,684
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(111,136)
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:		
Increase in compensated absences	(3,090)	
Increase in intergovernmental payables	(8,131)	
Total expenditures not reported in the funds		(11,221)
<i>Change in Net Assets of Governmental Activities</i>		\$3,102,086
See accompanying notes to the basic financial statements.		

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2003*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$0	\$5,265,402	\$5,202,539	(\$62,863)
Intergovernmental	0	4,224,498	4,174,062	(50,436)
Interest	0	241,389	238,507	(2,882)
Tuition and Fees	0	15,441	15,257	(184)
Charges for Services	0	31,375	31,000	(375)
Miscellaneous	0	31,503	31,127	(376)
<i>Total Revenues</i>	<u>0</u>	<u>9,809,608</u>	<u>9,692,492</u>	<u>(117,116)</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	1,790,575	1,790,575	1,446,223	344,352
Vocational	3,473,592	3,473,592	2,805,574	668,018
Adult/Continuing	144,292	144,292	116,543	27,749
<i>Support Services:</i>				
Pupils	750,804	750,804	606,414	144,390
Instructional Staff	1,026,633	1,026,633	829,198	197,435
Board of Education	60,309	60,309	48,711	11,598
Administration	976,552	976,552	788,748	187,804
Fiscal	506,945	506,945	409,453	97,492
Business	227,035	227,035	183,373	43,662
Operation and Maintenance of Plant	1,506,754	1,506,754	1,216,985	289,769
Pupil Transportation	23,164	23,164	18,709	4,455
Central	180,821	180,821	146,047	34,774
Operation of Non-Instructional Services	124	124	100	24
Extracurricular Activities	69,250	69,250	55,932	13,318
Capital Outlay	2,543	2,543	2,054	489
<i>Debt Service:</i>				
Principal Retirement	119,705	119,705	96,684	23,021
Interest and Fiscal Charges	57,277	57,277	46,262	11,015
<i>Total Expenditures</i>	<u>10,916,375</u>	<u>10,916,375</u>	<u>8,817,010</u>	<u>2,099,365</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(10,916,375)</u>	<u>(1,106,767)</u>	<u>875,482</u>	<u>1,982,249</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from the Sale of Capital Assets	0	486	480	(6)
Advances Out	(365,795)	(365,795)	(295,447)	70,348
Transfers Out	(1,986,265)	(1,986,265)	(1,604,280)	381,985
<i>Total Other Financing Sources (Uses)</i>	<u>(2,352,060)</u>	<u>(2,351,574)</u>	<u>(1,899,247)</u>	<u>452,327</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(13,268,435)</u>	<u>(3,458,341)</u>	<u>(1,023,765)</u>	<u>2,434,576</u>
<i>Fund Balance at Beginning of Year</i>	5,259,013	5,259,013	5,259,013	0
Prior Year Encumbrances Appropriated	268,805	268,805	268,805	0
<i>Fund Balance at End of Year</i>	<u>(\$7,740,617)</u>	<u>\$2,069,477</u>	<u>\$4,504,053</u>	<u>\$2,434,576</u>

See accompanying notes to the basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2003

	Business-Type Activities		
	Adult Education	Other Enterprise Funds	Total Enterprise Funds
<u>Assets:</u>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$81,146	\$148,976	\$230,122
Accounts Receivable	77,161	0	77,161
Intergovernmental Receivable	39,908	0	39,908
<i>Noncurrent Assets:</i>			
Depreciable Capital Assets, Net	455,538	22,350	477,888
<i>Total Assets</i>	<u>653,753</u>	<u>171,326</u>	<u>825,079</u>
<u>Liabilities:</u>			
<i>Current Liabilities:</i>			
Accounts Payable	1,512	0	1,512
Accrued Wages and Benefits	2,921	3,562	6,483
Intergovernmental Payable	25,245	3,241	28,486
Interfund Payable	100,000	0	100,000
<i>Noncurrent Liabilities:</i>			
Compensated Absences Payable	62,808	0	62,808
<i>Total Liabilities</i>	<u>192,486</u>	<u>6,803</u>	<u>199,289</u>
<u>Net Assets:</u>			
Invested in Capital Assets	455,538	22,350	477,888
Unrestricted	5,729	142,173	147,902
<i>Total Net Assets</i>	<u>\$461,267</u>	<u>\$164,523</u>	<u>\$625,790</u>

See accompanying notes to the basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003*

	Business-Type Activities		
	Adult Education	Other Enterprise Funds	Total Enterprise Funds
<u>Operating Revenues:</u>			
Tuition	\$625,554	\$0	\$625,554
Classroom Materials and Fees	132,423	0	132,423
Sales	0	142,431	142,431
Charges for Services	0	72,750	72,750
Miscellaneous	31,540	0	31,540
<i>Total Operating Revenues</i>	<u>789,517</u>	<u>215,181</u>	<u>1,004,698</u>
<u>Operating Expenses:</u>			
Salaries	696,027	28,345	724,372
Fringe Benefits	192,255	16,774	209,029
Purchased Services	100,564	651	101,215
Materials and Supplies	108,881	177,415	286,296
Depreciation	74,993	2,090	77,083
Other	421	0	421
<i>Total Operating Expenses</i>	<u>1,173,141</u>	<u>225,275</u>	<u>1,398,416</u>
<i>Operating Income (Loss)</i>	<u>(383,624)</u>	<u>(10,094)</u>	<u>(393,718)</u>
<u>Nonoperating Revenues:</u>			
Operating Grants	378,464	0	378,464
<i>Total Nonoperating Revenues</i>	<u>378,464</u>	<u>0</u>	<u>378,464</u>
<i>Income (Loss) before Transfers</i>	(5,160)	(10,094)	(15,254)
Transfers In	10,756	26,573	37,329
<i>Change in Net Assets</i>	5,596	16,479	22,075
<i>Net Assets at Beginning of Year - As Restated (See Note 3)</i>	<u>455,671</u>	<u>148,044</u>	<u>603,715</u>
<i>Net Assets at End of Year</i>	<u>\$461,267</u>	<u>\$164,523</u>	<u>\$625,790</u>

See accompanying notes to the basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2003

	Business-Type Activities		
	Adult Education	Other Enterprise Funds	Total Enterprise Funds
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$743,689	\$215,181	\$958,870
Other Cash Receipts	31,539	0	31,539
Cash Payments to Employees for Services	(664,598)	(27,914)	(692,512)
Cash Payments for Employee Benefits	(215,543)	(16,697)	(232,240)
Cash Payments for Goods and Services	(209,661)	(178,067)	(387,728)
Other Cash Payments	(421)	0	(421)
<i>Net Cash from Operating Activities</i>	<u>(314,995)</u>	<u>(7,497)</u>	<u>(322,492)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	378,464	0	378,464
Transfers In	10,756	26,573	37,329
<i>Net Cash from Noncapital Financing Activities</i>	<u>389,220</u>	<u>26,573</u>	<u>415,793</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Payments for Capital Acquisitions	(7,698)	0	(7,698)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	66,527	19,076	85,603
<i>Cash and Cash Equivalents at Beginning of Year</i>	14,619	129,900	144,519
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$81,146</u>	<u>\$148,976</u>	<u>\$230,122</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash from Operating Activities:</u>			
Operating Income (Loss)	(\$383,624)	(\$10,094)	(\$393,718)
<u>Adjustments to Reconcile Operating Income (Loss)</u>			
<u>to Net Cash from Operating Activities:</u>			
Depreciation	74,993	2,090	77,083
<i>(Increase) Decrease in Assets:</i>			
Accounts Receivable	(1,316)	0	(1,316)
Intergovernmental Receivable	(12,972)	0	(12,972)
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	(359)	0	(359)
Accrued Wages and Benefits	(4,818)	430	(4,388)
Intergovernmental Payable	(745)	77	(668)
Compensated Absences Payable	13,846	0	13,846
Total Adjustments	<u>68,629</u>	<u>2,597</u>	<u>71,226</u>
<i>Net Cash from Operating Activities</i>	<u>(\$314,995)</u>	<u>(\$7,497)</u>	<u>(\$322,492)</u>

See accompanying notes to the basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2003

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$61,199</u>	<u>\$967,253</u>
<u>Liabilities:</u>		
Due to Students	\$0	\$49,364
Undistributed Monies	<u>0</u>	<u>917,889</u>
<i>Total Liabilities</i>	<u>0</u>	<u>967,253</u>
<u>Net Assets:</u>		
<i>Held in Trust for:</i>		
Scholarships	<u>61,199</u>	<u>0</u>
<i>Total Net Assets</i>	<u>\$61,199</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

Statement of Change in Fiduciary Net Assets

Fiduciary Fund

For the Fiscal Year Ended June 30, 2003

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Gifts and Donations	\$5,286
Interest	<u>1,033</u>
<i>Total Additions</i>	6,319
<u>Deductions</u>	<u>6,258</u>
<i>Change in Net Assets</i>	61
<i>Net Assets at Beginning of Year - As Restated (See Note 3)</i>	<u>61,138</u>
<i>Net Assets at End of Year</i>	<u><u>\$61,199</u></u>

See accompanying notes to the basic financial statements.

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LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Licking County Joint Vocational School District (the District) is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes students to job training leading to employment upon graduation from high school. The Licking County Joint Vocational School District has ten participating districts spread throughout Licking and Knox Counties, which include two city school districts, seven local school districts and one exempted village school district.

The District operates under a seven-member Board of Education and is responsible for the provision of public education to residents of the District. The Board of Education of the District is not directly elected. The Board is made up from members of the elected boards of the participating school districts and the Licking County Educational Service Center. The District is staffed by 26 non-certificated employees, 86 certificated full-time teaching personnel and 18 administrative employees who provide services to 656 students and other community members. The District currently operates 4 buildings.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Licking County Joint Vocational School District, this includes general operations, student guidance, education media care and upkeep of grounds and buildings, food service, student related activities and adult education of the District.

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

The District is associated with two organizations, one of which is defined as a jointly governed organization and one as an insurance purchasing pool. These organizations are the Licking Area Computer Association and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

The District serves as the fiscal agent for the Licking Area Computer Association, but the organization is not considered a part of the Licking County Joint Vocational School District. Accordingly, the activity of the organization is presented as an agency fund within the District's basic financial statements.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's basic financial statement consists of government-wide financial 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 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 District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities and business-type activities. 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. Revenues which are not classified as program revenues are presented as general revenues of the 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 District.

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by type. 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 District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of the District fall within three categories: governmental, proprietary and fiduciary.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus 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 District's major governmental funds:

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

Bond Retirement Fund- This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

Building Fund- This fund is used to account for the revenues and expenditures related to all special bond funds in the District, including the proceeds from the sale of the bonds. Expenditures of the fund represent the costs of acquiring capital facilities including real property.

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

Proprietary Funds

The proprietary fund focus is on the determination of the change in net assets, financial position and cash flows. The District's proprietary funds are classified as enterprise. Enterprise funds may be used to account for any activities for which a fee is charged to external users for goods or services.

The following is the District's only major proprietary fund:

Adult Education Fund - This fund is used to account for transactions made in connection with adult education classes.

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are private purpose trust fund and agency funds. The District's private purpose trust fund is established to account for assets used for college scholarships for students and student fees and tuition at the District. The District's agency funds are used to account for assets held for PELL grants, the Licking Area Computer Association for which the District serves as fiscal agent, and student managed activities.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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 District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust funds are 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. Government-wide financial statements and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible 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 District, available means expected to be received within sixty days of fiscal year-end.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the 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 the fiscal year-end: property taxes available for advance, tuition and fees, 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, 2003, but which were levied to finance fiscal year 2004 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.

E. Budgetary Process

All funds, except the agency funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the 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 District Treasurer has been authorized by the Board to allocate appropriations to the function and object level within the fund.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2003, see Note 4.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during fiscal year 2003.

F. Cash and Cash Equivalents

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

During the fiscal year 2003, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), U.S. government securities, money market accounts and repurchase agreements. Except for repurchase agreements which are reported at cost, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investments the investment could be sold for on June 30, 2003.

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 2003 amounted to \$238,507, which includes \$40,944 assigned from other District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

G. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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.

I. 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. As of June 30, 2003, the District reported no restricted assets.

J. Capital Assets

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

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

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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 years
Library Books and Textbooks	7 years

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances". The District has \$100,000 of internal balances which is the result of an advance from the General Fund to the Adult Education Fund.

L. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The 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 District has identified as probable of receiving payments 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 District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 10 years of service with the District.

The entire compensated absence liability is reported on the government-wide financial statements.

For the governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees will be paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Liabilities

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

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

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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

N. 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 District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

O. Fund Balance Reserves

The 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 balance reserves have been established for encumbrances and property taxes.

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for the rotary activity, cafeteria, and adult education programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of that fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

Q. 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 to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenue/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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

S. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CHANGES IN ACCOUNTING BASIS AND RESTATEMENTS

Changes in Accounting Basis

For fiscal year 2003, the District has changed from the cash basis of accounting to the accrual basis of accounting and implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues", 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, 2002, there was no effect on fund balance as a result of implementing GASB Statement Nos. 36, 37, and 38, and GASB Interpretation No. 6.

GASB Statement No. 34 creates new basic financial statements for reporting on the 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 present the District's programs as governmental and business-type activities. The beginning net asset amounts for governmental and business-type programs reflect the change in fund balance for governmental and proprietary funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 3 - CHANGES IN ACCOUNTING BASIS AND RESTATEMENTS - (Continued)

Restatement of Fund Balances

The restatements for fund reclassifications, the net accrual adjustments for changing to the accrual basis and GASB Statement No. 34 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Nonmajor</u>	<u>Total</u>
Governmental Activities					
Fund Cash Balances, June 30, 2002	\$5,527,820	\$0	\$0	\$847,727	\$6,375,547
Net Accrual Adjustments	(285,655)	0	0	277,723	(7,932)
Fund Reclassification	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,839</u>	<u>25,839</u>
Adjusted Fund GAAP Balances, June 30, 2002	<u>\$5,242,165</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,151,289</u>	6,393,454
<i>GASB 34 Adjustments:</i>					
Intergovernmental Receivables					118,271
Property Taxes Receivable					210,029
Capital Assets					4,392,774
Accrued Interest Payable					(3,877)
Intergovernmental Payable					(46,378)
<i>Long-Term Obligations:</i>					
Compensated Absences Payable					(789,155)
Energy Conservation Notes					<u>(931,209)</u>
Governmental Activities Net Assets, June 30, 2002					<u>\$9,343,909</u>

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 3 - CHANGES IN ACCOUNTING BASIS AND RESTATEMENTS - (Continued)

	<u>Adult Education</u>	<u>Nonmajor</u>	<u>Total</u>
Business-Type Activities			
Fund Cash Balances, June 30, 2002	\$14,619	\$140,190	\$154,809
Internal Balances	(100,000)	0	(100,000)
Net Accrual Adjustments	18,219	(6,297)	11,922
Fund Reclassification	0	(10,289)	(10,289)
Capital Assets	522,833	24,440	547,273
Adjusted Fund Balances, June 30, 2002	<u>\$455,671</u>	<u>\$148,044</u>	<u>\$603,715</u>

	<u>Private Purpose Trust</u>
Fiduciary Funds	
Fund Cash Balances, June 30, 2002	\$74,536
Fund Reclassification	(13,398)
Fiduciary Fund Net Assets, June 30, 2002	<u>\$61,138</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances/net assets as of June 30, 2003:

<i>Nonmajor Special Revenue Funds:</i>	
Post Secondary	\$40
Miscellaneous State Grants	19,119
Adult Basic Education	57,566
Vocational Education	42,698
Title VI	879
Drug Free Schools Grant	1,269
Reducing Class Size	3,105
<i>Nonmajor Enterprise Fund:</i>	
Cafeteria	2,856

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis at June 30, 2003.

B. Compliance

1. Ohio Revised Code Section 5705.41(B) requires that budgetary expenditures be within Board approved appropriations during the fiscal year. The District did not file an amended appropriation measure until after June 30, 2003. Therefore, the following funds had expenditures plus outstanding encumbrances that exceeded appropriations as of June 30, 2003:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<i>Building</i>	\$0	\$1,681,400	(\$1,681,400)
<u>Nonmajor Special Revenue Funds:</u>			
Career Development	79,638	87,258	(7,620)
Excellence in Education	0	441	(441)
Industrial Training Program	817	21,323	(20,506)
Title II Eisenhower Professional Development	0	859	(859)
Title VI	0	4,915	(4,915)
Drug Free Schools	942	2,507	(1,565)
Title II-A	0	3,834	(3,834)
Miscellaneous Federal Grants	0	3,508	(3,508)
<u>Nonmajor Enterprise Fund:</u>			
Rotary	173,063	226,059	(52,996)

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

2. Ohio Revised Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit cash balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance. The District maintained deficit cash balances at various dates throughout the year in the following funds:

<u>Fund</u>	<u>Maximum Negative Fund Balance</u>
<i>Nonmajor Special Revenue Funds:</i>	
Uniform School Supplies	(\$27,882)
Supplemental Equipment FY02	(67,863)
High Schools That Work	(43,180)
Adult Basic Education FY02	(34,471)
Adult Basic Education FY03	(94,162)
CTPD HS FY03	(69,021)
VEPD High School	(14,095)
Job Retention Certification Program FY02	(38,213)
<i>Adult Education</i>	(121,269)
<i>Nonmajor Enterprise Fund:</i>	
Cafeteria Rotary	(36,853)

3. Ohio Revised Code Section 5705.36 requires that at the beginning of each year the District is to certify to the County Auditor the total amount from all sources which are available for expenditures. The District did not file a certificate of estimated resources available for expenditure until June 30, 2003. As a result, the District's appropriations exceeded estimated resources throughout the year, contrary to Ohio Revised Code Section 5705.39.

Management has indicated that the required budgetary actions will be taken as stated in the Ohio Revised Code to ensure no future violations will occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described earlier is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance.
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$129,635)
<i>Adjustments:</i>	
Revenue Accruals	(325,095)
Expenditure Accruals	(694,353)
Encumbrances	420,765
Other Sources (Uses)	(295,447)
Budget Basis	<u><u>(\$1,023,765)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

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

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

At fiscal year end, the District had \$3,850 in undeposited cash on hand which is included on the balance sheet of District as part of "Equity in Pooled Cash and Cash Equivalents."

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Deposits: At fiscal year-end, the carrying amount of the District's deposits was (\$479,288), and the bank balance was \$115,844. Of the bank balance, \$100,000 was covered by federal depository insurance (FDIC) and \$15,844 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions' trust department in the District's name and all State statutory requirements for the investments of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>
U.S. Government Securities	\$33,282,622	\$0	\$33,282,622
Money Market	0	2,531,941	2,531,941
Repurchase Agreements	0	8,936,553	8,936,553
STAROhio	0	0	451,836
Totals	<u>\$33,282,622</u>	<u>\$11,468,494</u>	<u>\$45,202,952</u>

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB No. 9. A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$44,727,514	\$0
Cash on Hand	(3,850)	0
<i>Investments:</i>		
U.S. Government Securities	(33,282,622)	33,282,622
Money Market	(2,531,941)	2,531,941
Repurchase Agreements	(8,936,553)	8,936,553
STAROhio	(451,836)	451,836
GASB Statement No. 3	<u>(\$479,288)</u>	<u>\$45,202,952</u>

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. The last reappraisal was completed for Licking County in tax year 1999 and for Knox County in tax year 2002. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value.

Real property taxes are paid by taxpayers annually or semi-annually. If paid annually, payment is due December 31, unless extended; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 7 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represents the June 2003 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2003 was \$892,464 and is recognized as revenue. Of this total amount, \$594,975 was available to the General Fund \$297,489 was available to the Bond Retirement Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,301,084,200	85.66%	\$2,678,143,120	87.72%
Public Utility Personal	123,282,550	4.59%	131,162,400	4.30%
Tangible Personal Property	262,064,797	9.75%	243,819,896	7.98%
Total Assessed Value	<u>\$2,686,431,547</u>	<u>100.00%</u>	<u>\$3,053,125,416</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$2.00		\$3.00	

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 8 - RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>Nonmajor Special Revenue Funds:</i>			
Other Local Grants	4,745	\$0	\$4,745
Career Development	7,959	0	7,959
Miscellaneous State Grants	44,545	0	44,545
Adult Basic Education	106,739	0	106,739
Vocational Education	104,404	0	104,404
Title VI	1,269	0	1,269
Drug Free Programs	3,251	0	3,251
Reducing Class Size	3,105	0	3,105
Miscellaneous Federal Grants	300	0	300
<i>Adult Education Fund:</i>			
Tuition Fees	0	39,908	39,908
Total	<u>\$276,317</u>	<u>\$39,908</u>	<u>\$316,225</u>

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 9 - CAPITAL ASSETS

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

Asset Category	Balance at July 1, 2002	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2003
Governmental Activities				
<i>Nondepreciable Capital Assets:</i>				
Land	\$242,114	\$0	\$0	\$242,114
Construction in Progress	0	1,118,105	0	1,118,105
Total Nondepreciable Capital Assets	242,114	1,118,105	0	1,360,219
<i>Depreciable Capital Assets:</i>				
Land Improvements	676,908	0	0	676,908
Buildings and Improvements	7,049,793	0	0	7,049,793
Furniture, Fixtures and Equipment	2,370,252	395,912	(68,400)	2,697,764
Vehicles	524,000	0	0	524,000
Library Books and Textbooks	138,580	0	0	138,580
Total Depreciable Capital Assets	10,759,533	395,912	(68,400)	11,087,045
Total Capital Assets	11,001,647	1,514,017	(68,400)	12,447,264
<i>Accumulated Depreciation:</i>				
Land Improvements	(543,771)	(38,541)	0	(582,312)
Buildings and Improvements	(3,919,275)	(213,901)	0	(4,133,176)
Furniture, Fixtures and Equipment	(1,656,801)	(226,045)	68,400	(1,814,446)
Vehicles	(364,304)	(21,488)	0	(385,792)
Library Books and Textbooks	(124,722)	0	0	(124,722)
Total Accumulated Depreciation	(6,608,873)	(499,975)	68,400	(7,040,448)
Governmental Activities Capital Assets, Net	\$4,392,774	\$1,014,042	\$0	\$5,406,816

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

Governmental Activities	
<i>Instruction:</i>	
Regular	\$72,030
Vocational	271,649
<i>Support Services:</i>	
Pupils	63,813
Instructional Staff	31,977
Administration	15,812
Fiscal	6,841
Operation and Maintenance of Plant	16,365
Pupil Transportation	21,488
	<hr/>
Governmental Activities Depreciation Expense	<u><u>\$499,975</u></u>

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

Asset Category	Balance at July 1, 2002	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2003
Business-Type Activities				
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	\$849,807	\$0	\$0	\$849,807
Furniture, Fixtures and Equipment	507,608	7,698	0	515,306
Total Depreciable Capital Assets	1,357,415	7,698	0	1,365,113
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(552,375)	(28,326)	0	(580,701)
Furniture, Fixtures and Equipment	(257,767)	(48,757)	0	(306,524)
Total Accumulated Depreciation	(810,142)	(77,083)	0	(887,225)
Business-Type Activities Capital Assets, Net	<u><u>\$547,273</u></u>	<u><u>(\$69,385)</u></u>	<u><u>\$0</u></u>	<u><u>\$477,888</u></u>

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the District contracted with Harcum-Hyre Insurance for property insurance, fleet insurance and liability insurance. Coverages provided are as follows:

Building and Contents - replacement cost (90% co-insurance)	\$21,361,800
Automobile Liability (\$1,000 deductible for collision and comprehensive)	1,000,000
Uninsured Motorists (\$500 deductible for collision and comprehensive) Each Accident	50,000
<i>General Liability:</i>	
Per Occurrence	2,000,000
Aggregate Limit	2,000,000

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

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The 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, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$212,387, \$111,356, and \$80,070, respectively; 56.86 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$91,617 representing the unpaid contribution for fiscal year 2003, is recorded as a current liability within the respective funds.

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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

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

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary. The District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$657,455, \$437,304, and \$428,894, respectively; 85.10 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$97,941 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2003 were \$17,507 made by the District and \$15,832 made by the plan members.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, no members of the Board of Education have elected Social Security.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$50,573 during fiscal year 2003.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivorship 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.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. For fiscal year ended June 30, 2003, net health care cost paid by SERS were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. The number of participants currently receiving health care benefits is approximately 50,000. For the District, the amount to fund health care benefits, including the surcharge, equaled \$158,840 during the 2003 fiscal year.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 56.25 days for all employees. The District also credits one day for every year of experience, beyond ten, with the District.

Insurance Benefits

Medical and prescription drug insurance is offered to employees through Medical Mutual of Ohio. Dental insurance coverage is provided through Core Source, Inc. and vision insurance is provided by the District through Vision Services Plus (VSP), Inc. The employees share the cost of the monthly premium with the Board, which varies with employees depending on the terms of the union contract.

The District provides life insurance and accidental death and dismemberment insurance to all employees through Conseco Variable Insurance Company, in the amount of \$50,000 for all employees.

NOTE 14 - SHORT-TERM LIABILITIES

On September 19, 2002, Licking County Joint Vocational School District issued a bond anticipation note in the amount of \$35,000,000 for the purpose of constructing a new instructional building and renovating existing facilities. These notes were retired on March 18, 2003, using bond proceeds.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 15 - LONG-TERM LIABILITIES

The changes in the District's long-term liabilities during fiscal year 2003 were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2002	Additions	Deletions	Principal Outstanding at June 30, 2003	Amount Due in One Year
<u>Governmental Activities:</u>							
Energy Conservation Note	1999	5.24%	\$931,209	\$0	\$96,684	\$834,525	\$101,750
General Obligation Bonds	2002	2.00 - 5.375%	0	35,000,000	0	35,000,000	1,515,000
<i>Add Deferred Amounts:</i>							
Issuance Premium on Bonds	N/A	N/A	0	711,194	0	711,194	0
Compensated Absences	N/A	N/A	808,061	210,500	161,759	856,802	167,549
Total Governmental Activities Long-Term Liabilities			<u>\$1,739,270</u>	<u>\$35,921,694</u>	<u>\$258,443</u>	<u>\$37,402,521</u>	<u>\$1,784,299</u>

Energy Conservation Note - On October 15, 1999, Licking County Joint Vocational School District issued an unvoted general obligation note for the purpose of installing energy conservation improvements for the District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The note was issued for a ten year period with final maturity during fiscal year 2009. This debt is retired through the General Fund through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements.

General Obligation Bonds - In December 2002, Licking County Joint Vocational School District issued voted general obligation bonds for the purpose of constructing a new instructional building and renovating existing facilities. The bonds were issued for a twenty-one year period with final maturity at December 1, 2023. The proceeds from the sale of these bonds were recorded in the Building Fund. These bonds are retired through the Bond Retirement Fund using tax revenues.

The compensated absences of the governmental activities are paid from the fund from which the respective employees' salaries are paid. Most of the District's employees of the governmental activities are paid from the General Fund.

	Principal Outstanding at July 1, 2002	Additions	Deletions	Principal Outstanding at June 30, 2003	Amount Due in One Year
<u>Business-Type Activities:</u>					
Compensated Absences	\$48,961	\$51,370	\$37,523	\$62,808	\$20,039

The compensated absences of the business-type activities are paid from the fund which the respective employees' salaries are paid. Most of the District's employees of the business-type activities are paid from the Adult Education Fund, with the remainder being paid from the Cafeteria Fund.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 15 - LONG-TERM LIABILITIES - (Continued)

The District's overall legal debt margin was \$239,781,287, with an unvoted debt margin of \$3,053,125, and an energy conservation debt margin of \$26,643,604 at June 30, 2003.

Principal and interest requirements to retire the general obligation bonds and energy conservation note outstanding at June 30, 2003, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Energy Conservation Note</u>	<u>General Obligation Bonds</u>	<u>Total</u>
2004	\$142,813	\$3,057,461	\$3,200,274
2005	142,674	3,027,161	3,169,835
2006	142,527	3,113,618	3,256,145
2007	142,372	3,321,661	3,464,033
2008	142,210	3,397,224	3,539,434
2009-2013	283,896	11,438,471	11,722,367
2014-2018	0	11,317,156	11,317,156
2019-2023	0	13,216,841	13,216,841
2024	0	2,907,450	2,907,450
Total Debt Payments	996,492	54,797,043	55,793,535
Less: Interest	161,967	19,797,043	19,959,010
Total Principal	<u>\$834,525</u>	<u>\$35,000,000</u>	<u>\$35,834,525</u>

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivables	Interfund Payables
<i>General Fund</i>	\$455,568	\$0
<i>Nonmajor Special Revenue Funds:</i>		
Other Local Grants	0	8,288
Career Development	0	11,673
Miscellaneous State Grants	0	108,890
Adult Basic Education	0	113,662
Vocational Education	0	105,130
Title VI	0	3,251
Drug Free Schools Grant	0	1,269
Reducing Class Size	0	3,105
Miscellaneous Federal Grants	0	300
Total Nonmajor Special Revenue Funds	0	355,568
<i>Adult Education Fund</i>	0	100,000
Total	<u>\$455,568</u>	<u>\$455,568</u>

The balance of \$355,568 due to the General Fund from the funds listed is a result of advances made to help cover fund activity. At this time, the balance is scheduled to be collected in the subsequent year.

Transfers From	Transfers To					Total
	Bond Retirement	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Adult Education	Nonmajor Enterprise Funds	
General	\$0	\$31,931	\$1,535,020	\$10,756	\$26,573	\$1,604,280
Building	190,804	0	0	0	0	190,804
Totals	<u>\$190,804</u>	<u>\$31,931</u>	<u>\$1,535,020</u>	<u>\$10,756</u>	<u>\$26,573</u>	<u>\$1,795,084</u>

Transfers are generally used to either (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Bond Retirement Fund as debt service payments become due, or (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 16 - INTERFUND ACTIVITY - (Continued)

During the fiscal year 2003, the District made transfers from the General Fund of \$1,500,000 to the Permanent Improvement Capital Projects Fund to subsidize payments made for maintenance and repairs of facilities.

NOTE 17 - STATUTORY SET-ASIDES

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2003:

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Reserve Balance as of July 1, 2002	\$122,296	\$0	\$162,787	\$285,083
Current Year Set-Aside Requirement	92,975	92,975	0	185,950
Current Year Offsets	0	(1,500,000)	0	(1,500,000)
Qualifying Disbursements	(319,931)	(822,527)	(162,787)	(1,305,245)
Totals	<u>(104,660)</u>	<u>(2,229,552)</u>	<u>0</u>	<u>(2,334,212)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$104,660)</u>	<u>(\$2,229,552)</u>	<u>\$0</u>	<u>(2,334,212)</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The District had qualifying disbursements during the year that exceeded the current year set-aside requirements in both the textbook and capital improvement reserve accounts, the excesses in both the textbook and capital acquisition reserve accounts can be carried forward to offset future years' set-aside requirements. Each reserve must be represented by restricted cash at year-end and carried forward to be used for the same purposes in future years.

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

Licking Area Computer Association (LACA)

Licking Area Computer Association is a jointly governed organization created as a regional council of governments pursuant to State statutes. LACA has thirteen participants consisting of 12 school districts and one county educational service center. LACA was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. LACA is governed by a board of directors consisting of the superintendent or his/her designee from each of the participating members. Each member has one vote in all matters, and each member's control over budgeting and financing of LACA is limited to its voting authority and any representation it may have on the governing board. Each member pays a fee annually for services provided by LACA. The district has an equity interest that is explicit and not measurable in that joint venture agreement stipulates that the participants will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions and likewise shall participate in proceeds from the sale of assets upon liquidation. LACA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit or burden on members in the future.

The Licking County Joint Vocational School District is the fiscal agent for LACA. Financial statements for LACA can be obtained from Licking County Joint Vocational School District administrative offices at 150 Price Road, Newark, Ohio 43055. The District made payments of \$41,505 to LACA in fiscal year 2003.

LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), and 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 20 - CONTINGENCIES

Grants

The 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 District at June 30, 2003.

NOTE 21 - SCHOOL FUNDING

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

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

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LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Adult Education- State Grant Program	AB-S1-2000	84.002	\$ -	\$ 3,258
	AB-S1-2001		31,566	3,620
	AB-S1-2002		122,963	18,662
	AB-S1-2003		<u>28,560</u>	<u>116,018</u>
Total Adult Education- State Grant Program			<u>183,089</u>	<u>141,558</u>
Vocational Education- Basic Grants to States	20-C1-1998	84.048	-	2,612
	20-C1-1999		-	3,278
	20-C1-2000		-	517
	20-AD-2001, 20-C1-2001		21,760	1,814
	20-A0-2002, 20-C1-2002			
	20-C2-2002		302,069	59,901
	20-A0-2003, 20-A5-2003, 20-C2-2003 & 20-C1-2003		<u>339,131</u>	<u>396,559</u>
Total Vocational Education- Basic Grants to States			<u>662,960</u>	<u>464,681</u>
Drug-Free Schools Grant	DR-S1-2003	84.186	<u>297</u>	<u>2,508</u>
Goals 2000 State and Local Education Systematic Improvement Grants	G2-S6-2001	84.276	-	<u>30,265</u>
Eisenhower Professional Development State Grants	MS-S1-2001	84.281	166	761
	MS-S1-2002		-	859
Total Eisenhower Professional Development State Grants			<u>166</u>	<u>1,620</u>
Innovative Education Program Strategies	C2-S1-2001	84.298	2,227	-
	C2-S1-2003		<u>714</u>	<u>714</u>
Total Innovative Education Program Strategies			<u>2,941</u>	<u>714</u>
Vocational Education Occupational and Employment Information State Grants	310793684	84.346	<u>1,700</u>	<u>650</u>
Improving Teacher Quality State Grants I	TR-S1-2003	84.367	<u>730</u>	<u>3,834</u>
<i>Direct from Federal Grantor</i>				
Federal Pell Grant Program	310793684	84.063	<u>47,291</u>	<u>53,134</u>
Total U.S. Department of Education			<u>899,174</u>	<u>698,964</u>
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Ohio Department of Education:</i>				
Employment Services and Job Training Pilot and Demonstration Programs	310793684	17.249	-	<u>344</u>
Totals			<u>\$ 899,174</u>	<u>\$ 699,308</u>

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

**LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LICKING COUNTY**

FISCAL YEAR ENDED JUNE 30, 2003

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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

Licking County Joint Vocational School District
Licking County
150 Price Road
Newark, Ohio 43055

To the Board of Education:

We have audited the financial statements of Licking County Joint Vocational School District, Licking County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated April 7, 2004, in which we noted the District changed its basis of accounting to follow generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-004. We also noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated April 7, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 7, 2004.

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www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

April 7, 2004



Auditor of State Betty Montgomery

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

Licking County Joint Vocational School District
Licking County
150 Price Road
Newark, Ohio 43055

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 7, 2004.

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

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

Betty Montgomery
Auditor of State

April 7, 2004

**LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LICKING COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number	2003-001
-----------------------	-----------------

Ohio Revised Code Section 5705.36 requires that on or about the first day of each fiscal year, the Treasurer is to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

**LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2003-001 (Continued)
-----------------------	-----------------------------

The District's Treasurer did not certify to the County Budget Commission the total amount from all resources which are available for expenditure until June 30, 2003, which is the last day of the fiscal year rather than the first day of the fiscal year. As a result, the Treasurer and the Board were unable to monitor actual receipts against estimated receipts throughout the year.

Once the year-end fund balances have been reconciled, the Treasurer should certify the District's fund balances and estimated receipts to the County Auditor.

Finding Number	2003-002
-----------------------	-----------------

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance.

The following funds had negative fund balances at different points throughout the year:

Fund	Maximum Negative Fund Balance
Uniform School Supplies Fund	(\$27,882)
Cafeteria Rotary	(\$36,853)
Adult Education Fund	(\$121,269)
Supplemental Equipment FY02	(\$67,863)
High Schools That Work	(\$43,180)
Adult Basic Education FY02	(\$34,471)
Adult Basic Education FY03	(\$94,162)
CTPD HS FY03	(\$69,021)
VEPD High School	(\$14,095)
Job Retention Certification Program FY02	(\$38,213)

The Treasurer should review cash fund balances of all funds on a periodic basis. If advances or transfers from the General Fund are needed to cover cash flow problems, the Treasurer should seek a Board resolution to cover any cash shortfalls in a timely manner.

Finding Number	2003-003
-----------------------	-----------------

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At June 30, 2003, the fund level expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

**LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2003-003 (Continued)
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Fund	Appropriation Authority	Budgetary Expenditures	Variance
Career Development Grant Fund	\$79,638	\$87,258	(\$7,620)
Excellence in Education Grant Fund	0	441	(441)
Construction Grant Fund	817	21,323	(20,506)
Title II Eisenhower Professional Development Grant Fund	0	859	(859)
Title VI Grant Fund	0	4,915	(4,915)
Drug Free Grant Fund	942	2,507	(1,565)
Title II-A Grant Fund	0	3,834	(3,834)
Miscellaneous Federal Grants Fund	0	3,508	(3,508)
Building Fund	0	1,681,400	(1,681,400)
Rotary Fund	173,063	226,059	(52,996)

The Treasurer did file an amended appropriation measure for fiscal year 2003 with the County Budget Commission after June 30, 2003, however, since the amendments were approved by the Board and filed after year end, they were not duly authorized appropriations for fiscal 2003. As a result, the amended appropriation totals are not reflected in the above totals or the financial statements.

The Treasurer should monitor the comparison of actual expenditures to appropriations set for each fund throughout the year. Amendments to appropriations, if necessary, should be approved by the Board of Education throughout the year and be submitted to the County Budget Commission in a timely manner.

Finding Number	2003-004
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Ohio Revised Code Section 5705.39 requires that total appropriations from each fund not exceed total certified fund resources from each fund. This section also requires the District to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total certified resource estimate or amended official estimate when amending estimated resources.

As discussed in finding number 2003-001, the District did not file a certificate of estimated resources at the beginning of the fiscal year. As a result, the County was not able provide an official certificate of estimated resources until year-end and the District did not obtain a do not exceed certificate until the last day of the fiscal year; therefore, all appropriations exceeded duly authorized estimated resources throughout the fiscal year.

The District should file the certificate of estimated resources at the start of the fiscal year in order to monitor appropriations versus total certified resources and to help avoid overspending. In addition, the Treasurer should obtain the required certificate from the County Auditor when amending appropriations and estimated resources.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
LICKING COUNTY**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10645-001	Ohio Admin. Code Section 117-2-03(B)—Not reporting in accordance with GAAP.	Yes	N/A
2002-10645-002	Ohio Rev. Code Section 5705.36—Not certifying all resources by the required time.	No	Not corrected, reissued as finding number 2003-001.
2002-10645-003	Ohio Rev. Code Section 5705.38—Not obtaining Board approval for appropriations by the required time.	Yes	N/A
2002-10645-004	Ohio Rev. Code Section 5705.41(D)—Not obtaining prior certification of funds for expenditures.	No	Partially corrected, issued as a management letter comment for fiscal year 2003.
2002-10645-005	Ohio Rev. Code Section 5705.10—Maintaining negative fund balances at June 30, 2002.	No	Not Corrected, reissued as finding number 2003-002



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LICKING COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

LICKING 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
MAY 11, 2004**