



**Auditor of State
Betty Montgomery**

**GREENON LOCAL SCHOOL DISTRICT
CLARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets - June 30, 2004	13
Statement of Activities - For the Fiscal Year Ended June 30, 2004	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds - June 30, 2004.....	15
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds For the Fiscal Year Ended June 30, 2004	16
Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP Basis) and Actual - General Fund For the Fiscal Year Ended June 30, 2004	17
Statement of Fiduciary Net Assets - Fiduciary Fund - June 30, 2004	18
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund – For the Year Ended June 30, 3004.....	19
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Expenditures - For the Year Ended June 30, 2004	46
Notes to Schedule of Federal Awards Expenditures	47
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	49
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.....	51
Schedule of Findings.....	53
Schedule of Prior Audit Findings.....	54

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Greene County Vocational School District
Greene County
2960 West Enon Road
Xenia, Ohio 45385

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

February 4, 2005

Greene County Vocational School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

As management of the Greene County Vocational School District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$ 9 million (net assets). Of this amount, \$ 1.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's net assets increased by \$.2 million, or 2%. Program revenues accounted for \$ 1.8 million or 12% of total revenues, and general revenues accounted for \$ 13 million, or 88%.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 2.9 million, a decrease of \$ 3.4 million in comparison with the prior year. Of this total amount, \$ 2.1 million is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1.5 million, or 13% of total general fund expenditures.

Overview of the Financial Statements

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

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 a private-sector business.

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 or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include regular, special, and vocational instruction. The District has no business-type activities. The government-wide financial statements can be found on pages 13-14 of this report.

Greene County Vocational School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 two categories: governmental funds and fiduciary funds. The District has no proprietary 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 government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, debt service, and permanent improvement funds which are considered major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements can be found on pages 15-17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Greene County Vocational School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 9 million at the close of the most recent fiscal year.

A large portion of the District's net assets (72 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; 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 the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 1.4 million) may be used to meet the government's ongoing obligations to citizens and creditors.

	District Net Assets	
	2003	2004
Current Assets	\$ 14,548,668	\$ 10,970,717
Capital Assets	7,271,457	9,847,921
Total Assets	21,820,125	20,818,638
Current Liabilities	8,239,353	8,080,613
Long-Term Liabilities	4,792,465	3,769,052
Total Liabilities	13,031,818	11,849,665
Net Assets:		
Invested in Capital Assets, net of related debt	2,789,021	6,416,211
Restricted	4,127,087	1,136,960
Unrestricted	1,872,199	1,415,802
Total Net Assets	\$ 8,788,307	\$ 8,968,973

Greene County Vocational School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Governmental Activities

The District's net assets increased by \$.2 million, or 2%, during the fiscal year. Key elements of this increase are as follows:

**Changes in Net Assets
Governmental Activities 2003 and 2004**

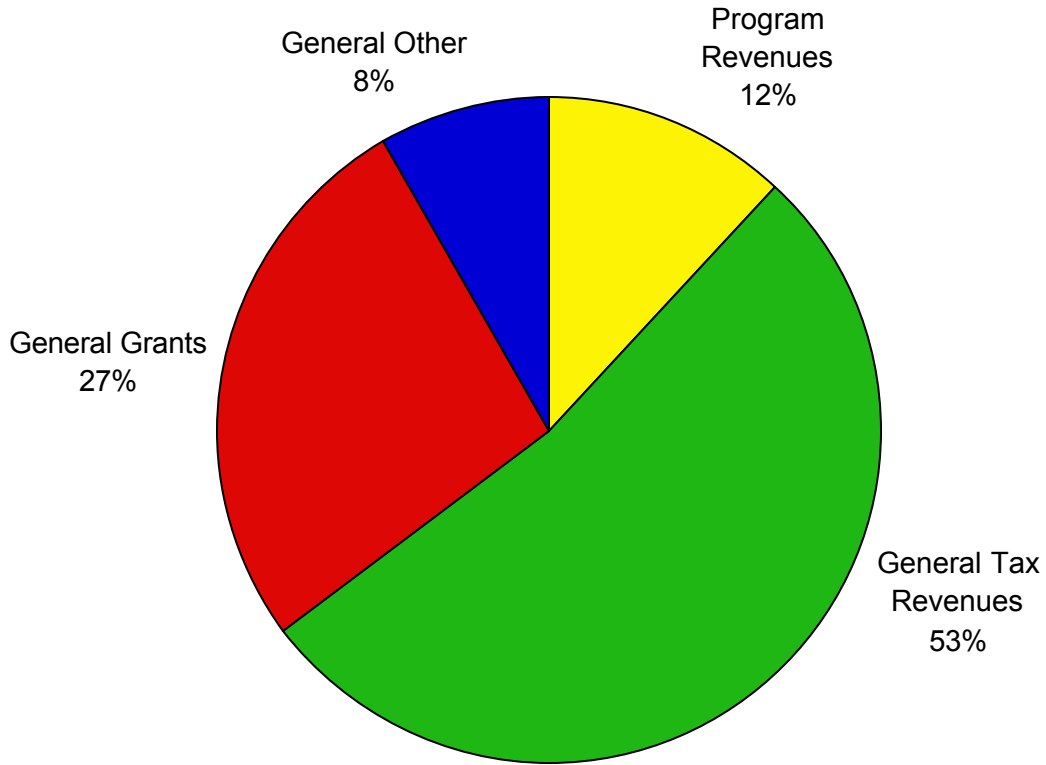
	2003	2004
Revenues:		
Program Revenues		
Charges for Services	\$ 499,875	\$ 563,079
Operating Grants	<u>836,034</u>	<u>1,210,437</u>
Total Program Revenues	1,335,909	1,773,516
General Revenues		
Property Taxes	7,004,235	7,815,063
Grants and Entitlements	3,877,147	3,987,039
Other Revenue	<u>1,266,689</u>	<u>1,234,981</u>
Total General Revenue	<u>12,148,071</u>	<u>13,037,083</u>
Total Revenues	<u>13,483,980</u>	<u>14,810,599</u>
Expenses:		
Program Expenses		
Instruction	7,617,600	8,372,972
Support Services	5,336,123	5,589,649
Non-Instructional	308,054	487,213
Extra Curricular Activities	53,554	33,313
Interest and Fiscal Charges	37,950	88,457
Miscellaneous	<u>-</u>	<u>58,329</u>
Total Expenses	<u>13,353,281</u>	<u>14,629,933</u>
Changes in Net Assets	<u>\$ 130,699</u>	<u>\$ 180,666</u>

Greene County Vocational School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. The net cost of program services must be supported by general revenues including tax revenue, investment earnings and unrestricted state entitlements.

	<u>Total Cost of Services 2003</u>	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2003</u>	<u>Net Cost of Services 2004</u>
Program Expenses				
Instruction				
Regular	\$ 355,089	\$ 371,602	\$ 355,089	\$ 371,602
Special	103,457	86,160	103,457	86,160
Vocational	7,025,601	7,787,994	5,913,401	6,238,866
Adult/Continuing Inst	44,916	19,614	44,916	19,614
Other	88,537	107,602	88,537	107,602
Support Services				
Pupil	855,307	803,700	813,222	761,184
Instructional Staff	1,339,104	1,524,371	1,323,933	1,521,071
Board of Education	324,021	187,403	324,021	187,403
Administration	885,932	988,153	885,932	988,153
Fiscal Services	357,856	362,141	352,855	357,141
Maintenance	1,303,826	1,394,568	1,303,826	1,394,568
Central	270,077	329,313	270,077	329,313
Noninstructional Activities	308,054	487,213	179,563	346,632
Extracurricular Activities	53,554	33,313	20,593	322
Interest and Fiscal Charges	37,950	88,457	37,950	88,457
Miscellaneous	-	58,329	-	58,329
Total Expense	<u>\$ 13,353,281</u>	<u>\$ 14,629,933</u>	<u>\$ 12,017,372</u>	<u>\$ 12,856,417</u>

Greene County Vocational School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited



The District's reliance upon tax revenues is demonstrated by the graph above indicating 53% of total revenues from local taxes. The reliance on general revenues is indicated by the net cost of services column on the preceding page reflecting the need for \$12.9 million of support in fiscal year 2004, as well as the graph above, indicating general revenues comprise 88% of total revenues.

Greene County Vocational School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2.9 million, a decrease of \$3.4 million in comparison with the prior year. Approximately 72% of this amount (\$2.1 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$.1 million) or for a variety of other restricted purposes (\$.6 million).

The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2004 and 2003.

	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 2,161,816	\$ 1,981,452	\$ (180,364)
Debt Service	-	513,602	513,602
Permanent Improvement	4,122,075	618,336	(3,503,739)
Other Governmental	<u>8,894</u>	<u>(238,761)</u>	<u>(247,655)</u>
Total	<u>\$ 6,292,785</u>	<u>\$ 2,874,629</u>	<u>\$ (3,418,156)</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.5 million, while total fund balance reached \$2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13% of total general fund expenditures, while total fund balance represents 18% of that same amount.

The fund balance of the District's general fund decreased by \$180,364 during the current fiscal year. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

Greene County Vocational School District
 Management's Discussion & Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited

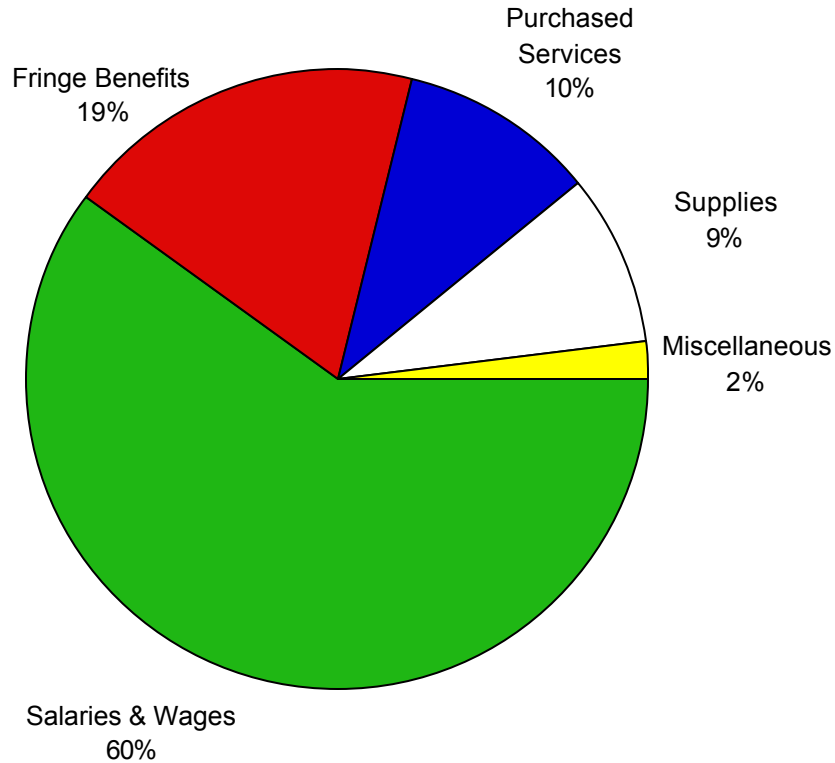
General Fund Revenue Comparative Analysis

<i>Revenues</i>	<i>2003 Amount</i>	<i>2004 Amount</i>	<i>Percentage Change</i>
Taxes	\$5,306,174	\$5,646,886	6.42%
Intergovernmental	4,601,753	4,659,121	1.25%
Interest	81,521	67,061	-17.74%
Other	<u>217,823</u>	<u>202,483</u>	-7.04%
Total	<u>\$10,207,271</u>	<u>\$10,575,551</u>	3.61%

As shown in the chart above, property taxes and intergovernmental revenues constitute the District's most significant sources of revenue. These revenues varied only slightly from fiscal year 2003 to fiscal year 2004.

Greene County Vocational School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

As the graph below illustrates, the largest portions of general fund expenditures are for salaries and fringe benefits. The District is a service entity and as such is labor intensive.



	2003	2004	Change	Percent Change
	Amount	Amount		
Expenditures by Object:				
Salaries and Wages	\$ 6,203,050	\$ 6,497,047	\$ 293,997	4.74%
Fringe Benefits	1,941,181	2,060,383	119,202	6.14%
Purchased Services	929,570	1,133,487	203,917	21.94%
Supplies	895,715	960,048	64,333	7.18%
Capital Outlay	2,987	106	(2,881)	-96.45%
Miscellaneous	71,453	202,441	130,988	183.32%
Total	\$ 10,043,956	\$ 10,853,512	\$ 809,556	8.06%

The expenditures are up \$.8 million, or 8% over the prior year. This increase is primarily the result of increases in employee wages and insurance coverage.

Greene County Vocational School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

Differences between the original budget and the final amended budget were relatively minor. The original revenue estimate exceeded the final amended revenue estimate by \$325,561, or 3.2%, and the final appropriations were slightly more than the original resolution by \$446,124, or 3.9%. The District's actual receipts exceeded the final amended revenue estimate by \$365,011, or 3.6%. There were no differences between the District's final amended expenditure budget and actual expenditures and only minor differences between

Capital Assets

The District's investment in capital assets as of June 30, 2004, amounts to \$ 6.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, fixtures and equipment, vehicles, and land improvements. Total acquisitions for the current fiscal year were \$ 2.7 million and depreciation was \$ 136,792. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 8).

Debt

At June 30, 2004, the District had \$3.4 million in outstanding loans payable. The District paid \$ 1,038,428 in principal on loans outstanding during the fiscal year. Detailed information regarding long-term debt is included in the notes to the basic financial statements (Note 9).

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. At June 30, 2004, the District's general obligation debt was below the legal limit.

Restrictions and Other Limitations

A major challenge facing the District is the future of state 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 its financial operations.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,160,814
Receivables:	
Taxes	7,548,809
Intergovernmental	248,297
Supplies Inventory	10,896
Inventory Held for Resale	1,901
Capital Assets, Net	<u>9,847,921</u>
Total Assets	<u>20,818,638</u>
Liabilities	
Accounts Payable	75,809
Accrued Salaries Payable	914,313
Intergovernmental Payable	138,598
Accrued Interest Payable	40,912
Deferred Revenue	6,910,981
Long-Term Liabilities	
Due within One Year	1,125,690
Due in More Than One Year	<u>2,643,362</u>
Total Liabilities	<u>11,849,665</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,416,211
Restricted for:	
Debt Service	513,612
Capital Projects	623,348
Unrestricted	<u>1,415,802</u>
Total Net Assets	<u>\$ 8,968,973</u>

See accompanying notes to the financial statements

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Instruction				
Regular Instruction	\$ 371,602	\$ -	\$ -	\$ (371,602)
Special Instruction	86,160	-	-	(86,160)
Vocational Instruction	7,787,994	428,919	1,120,209	(6,238,866)
Adult/Continuing Instruction	19,614	-	-	(19,614)
Other Instruction	107,602	-	-	(107,602)
Support Services				
Pupils	803,700	-	42,516	(761,184)
Instructional Staff	1,524,371	-	3,300	(1,521,071)
Board of Education	187,403	-	-	(187,403)
Administration	988,153	-	-	(988,153)
Fiscal Services	362,141	-	5,000	(357,141)
Maintenance	1,394,568	-	-	(1,394,568)
Central	329,313	-	-	(329,313)
Non-instructional	487,213	101,169	39,412	(346,632)
Extra Curricular Activities	33,313	32,991	-	(322)
Interest and Fiscal Charges	88,457	-	-	(88,457)
Miscellaneous	58,329	-	-	(58,329)
Total Governmental Activities	14,629,933	563,079	1,210,437	(12,856,417)

General Revenues

Property Taxes Levied for:	
General Purposes	5,646,886
Debt Service	1,633,428
Capital Projects	534,749
Grants & Entitlements not specifically restricted	3,987,039
Payment in Lieu of Taxes	882,484
Investment Earnings	67,061
Miscellaneous	285,436
Total General Revenues	13,037,083
 Change in Net Assets	 180,666
Net Assets Beginning of Year	8,788,307
Net Assets End of Year	\$ 8,968,973

See accompanying notes to the financial statements

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 2,025,431	\$ 513,602	\$ 523,347	\$ 98,434	\$ 3,160,814
Receivables:					
Taxes	5,819,277	-	1,729,532	-	7,548,809
Intergovernmental	-	-	-	248,297	248,297
Supplies Inventory	10,360	-	-	536	10,896
Inventory Held for Resale	-	-	-	1,901	1,901
Due From Other Funds	459,158	-	-	-	459,158
Total Assets	<u>8,314,226</u>	<u>513,602</u>	<u>2,252,879</u>	<u>349,168</u>	<u>11,429,875</u>
Liabilities:					
Accounts Payable	16,242	-	55,097	4,470	75,809
Accrued Salaries Payable	809,264	-	-	105,049	914,313
Intergovernmental Payable	120,178	-	-	18,420	138,598
Due to Other Funds	-	-	-	459,158	459,158
Deferred Revenue	5,331,535	-	1,579,446	-	6,910,981
Compensated Absences Payable	55,555	-	-	832	56,387
Total Liabilities	<u>6,332,774</u>	<u>-</u>	<u>1,634,543</u>	<u>587,929</u>	<u>8,555,246</u>
Fund Balances:					
Reserved					
Encumbrances	17,344	-	113,992	10,217	141,553
Supplies Inventory	10,360	-	-	2,437	12,797
Property Taxes	487,742	-	150,086	-	637,828
Unreserved, Reported in:					
General Fund	1,466,006	-	-	-	1,466,006
Special Revenue Funds	-	-	-	(256,427)	(256,427)
Debt Service Fund	-	513,602	-	-	513,602
Capital Project Funds	-	-	354,258	5,012	359,270
Total Fund Balances	<u>1,981,452</u>	<u>513,602</u>	<u>618,336</u>	<u>(238,761)</u>	<u>2,874,629</u>
Total Liabilities and Fund Balances	<u>\$ 8,314,226</u>	<u>\$ 513,602</u>	<u>\$ 2,252,879</u>	<u>\$ 349,168</u>	<u>\$ 11,429,875</u>

See accompanying notes to the financial statements

Greene County Vocational
School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

Total Governmental Fund Balances	\$	2,874,629
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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.		9,847,921
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Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Interest Payable		(40,912)
Compensated Absences		(280,955)
General Obligation Debt		(3,431,710)
		<u>(3,753,577)</u>

<i>Net Assets of Governmental Activities</i>	\$	<u>8,968,973</u>
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See accompanying notes to the financial statements

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 5,646,886	\$ 1,633,428	\$ 534,749	\$ -	\$ 7,815,063
Intergovernmental	4,659,121	-	210,402	1,217,695	6,087,218
Charges for Services	-	-	-	101,169	101,169
Interest	67,061	-	-	-	67,061
Tuition and Fees	-	-	-	428,919	428,919
Extracurricular Activities	-	-	-	32,991	32,991
Other	202,483	-	2,079	80,874	285,436
Total Revenues	<u>10,575,551</u>	<u>1,633,428</u>	<u>747,230</u>	<u>1,861,648</u>	<u>14,817,857</u>
Expenditures:					
Current:					
Instruction:					
Regular	364,960	-	1,170	-	366,130
Special	84,973	-	1,187	-	86,160
Vocational	5,664,871	-	276,132	1,575,113	7,516,116
Adult/Continuing	-	-	-	19,614	19,614
Other	107,602	-	-	-	107,602
Support services:					
Pupils	643,232	-	19,241	129,364	791,837
Instructional staff	1,090,893	-	285,582	110,873	1,487,348
Board of Education	187,403	-	-	-	187,403
Administration	935,569	-	28,853	5,110	969,532
Fiscal	335,114	-	2,114	5,000	342,228
Operation and Maintenance of Plant	916,159	-	474,896	-	1,391,055
Central	221,487	-	-	104,532	326,019
Non-instructional Services	-	-	152,617	329,482	482,099
Extracurricular Activities	-	-	-	33,313	33,313
Capital Outlay	-	-	2,995,485	-	2,995,485
Debt service:					
Principal Retirement	-	1,038,428	12,298	-	1,050,726
Interest and Fiscal Charges	-	81,398	1,394	-	82,792
Total Expenditures	<u>10,552,263</u>	<u>1,119,826</u>	<u>4,250,969</u>	<u>2,312,401</u>	<u>18,235,459</u>
Excess of Revenues Over Expenditures	<u>23,288</u>	<u>513,602</u>	<u>(3,503,739)</u>	<u>(450,753)</u>	<u>(3,417,602)</u>
Other financing sources (uses):					
Transfers In	99,525	-	-	204,512	304,037
Transfers Out	<u>(301,249)</u>	<u>-</u>	<u>-</u>	<u>(2,788)</u>	<u>(304,037)</u>
Total other financing sources (uses)	<u>(201,724)</u>	<u>-</u>	<u>-</u>	<u>201,724</u>	<u>-</u>
Net Change in Fund Balances	(178,436)	513,602	(3,503,739)	(249,029)	(3,417,602)
Fund Balance at Beginning of Year	2,161,816	-	4,122,075	8,894	6,292,785
Increase/(Decrease) in Inventory	(1,928)	-	-	1,374	(554)
Fund Balance at End of Year	<u>\$ 1,981,452</u>	<u>\$ 513,602</u>	<u>\$ 618,336</u>	<u>\$ (238,761)</u>	<u>\$ 2,874,629</u>

See accompanying notes to the financial statements

Greene County 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, 2004

Net Change in Fund Balances - Total Governmental Funds **\$ (3,417,602)**

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

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 outlay exceeded depreciation in the current period.

2,634,793

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) decreases net assets

(58,329)

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

(7,258)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.

1,050,726

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(5,665)

Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(15,999)

Change in Net Assets of Governmental Activities

\$ 180,666

See accompanying notes to the financial statements

GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
 GREENE COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BASIS) AND ACTUAL
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
Revenues:				
Taxes	\$ 6,291,225	\$ 5,302,248	\$ 5,494,521	192,273
Intergovernmental	3,900,000	4,496,082	4,659,121	163,039
Interest	49,486	66,036	68,431	2,395
Other Revenue	340,514	201,416	208,720	7,304
Total Revenues	<u>10,581,225</u>	<u>10,065,782</u>	<u>10,430,793</u>	<u>365,011</u>
Expenditures:				
Current:				
Instruction:				
Regular	371,988	369,213	369,213	-
Special	85,284	84,643	84,643	-
Vocational	5,843,340	5,655,391	5,655,391	-
Other	108,033	107,227	107,227	-
Support Services:				
Pupils	642,547	637,604	637,604	-
Instructional Staff	1,144,163	1,130,683	1,130,683	-
Board of Education	226,781	183,769	183,769	-
Administration	960,361	935,867	935,867	-
Fiscal	384,748	359,853	359,853	-
Operation and Maintenance of Plant	944,587	934,419	934,419	-
Central	224,613	221,489	221,489	-
Total Expenditures	<u>10,936,445</u>	<u>10,620,158</u>	<u>10,620,158</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(355,220)</u>	<u>(554,376)</u>	<u>(189,365)</u>	<u>365,011</u>
Other Financing Sources (Uses):				
Advances In	-	90,357	90,357	-
Advances Out	-	(461,162)	(461,162)	-
Transfers In	-	99,525	99,525	-
Transfers Out	-	(301,249)	(301,249)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(572,529)</u>	<u>(572,529)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(355,220)</u>	<u>(1,126,905)</u>	<u>(761,894)</u>	<u>365,011</u>
Fund Balances at Beginning of Year	2,585,439	2,585,439	2,585,439	-
Prior Year Encumbrances Appropriated	<u>106,445</u>	<u>106,445</u>	<u>106,445</u>	<u>-</u>
Fund Balances at End of Year	<u><u>2,336,664</u></u>	<u><u>1,564,979</u></u>	<u><u>1,929,990</u></u>	<u><u>365,011</u></u>

See accompanying notes to the financial statements

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Investment <u>Trust</u>	Agency <u>Funds</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 825,542	\$ 52,987
Total Assets	<u>825,542</u>	<u>52,987</u>
Liabilities		
Due to Students	-	52,987
Total Liabilities	<u>-</u>	<u>52,987</u>
Net Assets		
Held in Trust for Pooled Participants	825,542	-
Total Net Assets	<u>\$ 825,542</u>	<u>\$ -</u>

See accompanying notes to the financial statements

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Investment <u>Trust</u>
Additions:	
Capital Transaction Income	\$ 1,488,979
Operating Grants	488,486
Interest Income	6,495
Total additions	<u>1,983,960</u>
Deductions:	
Capital Transaction Expense	<u>2,030,183</u>
Total deductions	<u>2,030,183</u>
Change in Net Assets	(46,223)
Net Assets Beginning of Year	<u>871,765</u>
Net Assets End of Year	<u><u>\$ 825,542</u></u>

See accompanying notes to the financial statements

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

Greene County Vocational School District 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. The first official body designated as the Greene County Vocational School District was formed in March, 1964.

The School District operates under a locally-elected seven-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the district's instructional/support facilities staffed by a full-time staff of 146 employees. There are 96 certificated employees and 50 classified support staff including 2 administrators, who provide services to 730 students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds and departments which provide various services including vocational and adult instruction, student guidance, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

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

The School District is associated with two organizations that are defined as jointly governed. These organizations are the Miami Valley Educational Computer Association and the Southwestern Ohio Educational Purchasing Cooperative. These organizations are presented in Note 15 to the basic financial statements.

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

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

Major Governmental Funds:

General Fund

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

Permanent Improvement Capital Projects Fund

The Permanent Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by trust funds.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and other related costs.

Other Governmental Funds:

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include trust and agency funds. The Investment trust fund, which is used to account for the District's external investment pool, is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

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 government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year end.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when sources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local sources 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 non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before 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.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

D. Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents. Monies for all funds are maintained in this account or are temporarily used to purchase short-term investments. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. All other investments are reported at fair value which is based on quoted market prices.

Investment income received during the fiscal year totaled \$67,061, all of which was credited to the general fund.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market using the first-in, first-out (FIFO) method and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Interfund transfers are reported as other financing sources/uses in governmental funds. On fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the statement of net assets.

G. Capital Assets and Depreciation

Capital assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. A valuation firm performs physical asset counts each year and updates the fixed asset system. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not have any infrastructure.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Buildings and improvements are charged a full year of depreciation in the year of acquisition or the year the asset is placed into service. Depreciation for furniture, fixtures and equipment, vehicles, and land improvements will begin in the month of acquisition.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land Improvements	10 - 25
Buildings & Improvements	20 - 50
Furniture and Equipment	5 - 20
Vehicles	1 – 15

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Career Development Grant
Adult Education
IVDL Grant
Technical Preparation Grant
Safe Schools Helpline Grant
Adult Basic Literacy Grant
Eisenhower Grant
CTAE Grant
Title II
Title VI
Entry Year
PELL Grants
SEOG Grants

Capital Project Fund

School Net
One Net

Reimbursable Grants

Special Revenue Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately forty-two percent of the School District's operating revenue during the 2004 fiscal year.

I. Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. The District had no restricted assets at the end of the fiscal year.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued using the vesting method which states that the District will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments.

The entire compensated absences liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

K. Accrued Liabilities and Long-Term Obligations

All accrued liabilities and long-term debt is reported in the entity-wide financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

L. Fund Balance Reserves

Reservations of fund balances are established to identify assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances, supplies inventory and taxes.

M. Encumbrances

The District employs encumbrance accounting in governmental funds. Encumbrance outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

N. Estimates

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

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

Fund Balances at June 30, 2004, included the following individual fund deficits:

Fund	Deficit Balance
Other Governmental Funds:	
Food Service	\$ (14,462)
Career Development	(6,991)
Adult Vocational Education	(422,862)
Technology Preparation	(1,474)
Adult Basic Literacy	(652)
CTPD	(2,308)

These deficit fund balances resulted from accrued liabilities recorded in accordance with generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

B. Legal Compliance

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. At the June 16, 2004 regular meeting, the Board authorized the Treasurer to balance appropriations through use of the "SETBAL" program. The presented budgetary statements reflect these changes made through the "SETBAL" program. Without the "SETBAL" adjustments the following funds would have had expenditures in excess of appropriations:

Fund	<u>Amount Appropriated</u>	<u>Budgetary Expenditures</u>	<u>Unfavorable Variance</u>
General Fund (001)	\$ 10,798,518	\$ 11,241,318	\$ (442,800)
Career Development (409)	-	89,148	(89,148)
Adult Education (419)	810,665	1,216,556	(405,891)
Entry Year (440)	-	1,235	(1,235)
Tech Prep/Misc. State (416/499)	2,085	40,962	(38,877)
Adult Basic (501)	190,000	196,840	(6,840)
Vocational Education (524)	380,037	489,537	(109,500)
Food Service (006)	270,000	327,549	(57,549)
Rotary (011)	<u>137,927</u>	<u>138,462</u>	<u>(535)</u>
	\$ 12,589,232	\$ 13,741,607	\$ (1,152,375)

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY (Continued)

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund should not exceed the total estimated resources as certified by the County Budget Commission. As of June 30, 2004, appropriations exceeded total estimated resources for the following funds:

Fund	<u>Total</u> <u>Appropriations</u>	<u>Total</u> <u>Estimated</u> <u>Resources</u>	<u>Variance</u>
Debt Service (002)	\$ 2,197,118	\$ 1,120,666	\$ (1,076,452)

Ohio Rev. Code Section 5705.14 states that money may be transferred from the general fund to any other fund of the subdivision. Transfers from the general fund require a resolution passed by a simple majority of the board members.

The Treasurer transferred funds from the general fund to the following funds without the approval of the Board of Education:

Fund	<u>Amount</u>
District Managed Activity (300)	\$ 1,341
Food Service (006)	\$ 132,641
Rotary Fund (011)	\$ 55,653
Career Development (409)	\$ 52,513
Miscellaneous Grants (499)	\$ 134
Adult Basic Education (501)	\$ 1,706
Vocational Education (524)	\$ 6
Miscellaneous Federal Grants (599)	\$ 16,171

The budgetary statement as presented reflect these transfers.

NOTE 4 - BUDGETARY TO GAAP RECONCILIATION

While 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 requires accounting for certain transactions on a basis of cash receipts, disbursements, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

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

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 - BUDGETARY TO GAAP RECONCILIATION (Continued)

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	General Fund
GAAP Basis	\$ (178,436)
Revenue Accruals	(144,758)
Expenditure Accruals	23,489
Encumbrances	(91,384)
Advances In (Out)	(370,805)
Budget Basis	\$ (761,894)

NOTE 5 – DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

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

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

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

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 other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

4. 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.
5. Bonds and other obligations of the State of Ohio.
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

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

Deposits

At fiscal year-end, the carrying amount of the School District's deposits was \$ 4,039,343 and the bank balance was \$ 4,511,185. Of the bank balance, \$100,000 was covered by federal deposit insurance and the remaining \$ 4,411,185 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of risk. 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 for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department, but not in the District's name.

The District had no investments at the end of the fiscal year.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 6 - PROPERTY TAXES

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

Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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 County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Greene County Vocational School District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended June 30, 2004 was \$3.45 per \$1,000 of assessed value. The assessed values upon which the first and second-half of fiscal year 2004 taxes were collected are \$2,989,182,254 and \$3,251,860,761, respectively.

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of June 30, 2004. 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 year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$ 487,742 in the General Fund and \$ 150,086 in the Permanent Improvement Capital Projects Fund and is recognized as revenue.

The Assessed Valuation upon with fiscal year 2004 taxes were collected are as follows:

	<u>1st Half</u> <u>Collections</u>	<u>Percent</u>	<u>2nd Half</u> <u>Collections</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 2,615,534,473	87.50%	\$ 2,846,253,166	87.50%
Public Utility Personal	179,350,935	6.00%	195,171,646	6.00%
Tangible Personal Property	<u>194,296,846</u>	<u>6.50%</u>	<u>211,435,949</u>	<u>6.50%</u>
Total Assessed Valuation	<u>\$ 2,989,182,254</u>	<u>100%</u>	<u>\$ 3,252,860,761</u>	<u>100%</u>

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, interest, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the intergovernmental receivables follows:

<u>Fund</u>	<u>Receivable</u>
Other Governmental Funds:	
Food Service	\$ 7,968
Adult Vocational Education	200,195
Adult Basic Literacy	<u>40,134</u>
	<u>\$ 248,297</u>

NOTE 8 - CAPITAL ASSETS

A beginning balance adjustment was necessary to reflect the District's reclassification of land improvements from building, machinery and equipment and to reconcile the District's capital asset appraisal and general ledger. Changes in capital assets during the fiscal year ended June 30, 2004 were as follows:

<u>Asset Class</u>	<u>Beginning Balance</u>	<u>Prior Period Restatement</u>	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not depreciated:						
Land	\$ 116,032	\$ -	\$ 116,032	\$ -	\$ -	\$ 116,032
Capital assets depreciated:						
Land improvements	-	336,310	336,310	-	(1,491)	334,819
Buildings	9,021,327	(325,089)	8,696,238	2,374,016	(53,106)	11,017,148
Machinery and Equipment	3,931,604	(11,221)	3,920,383	394,744	(324,627)	3,990,500
Vehicles	<u>155,057</u>	<u>-</u>	<u>155,057</u>	<u>2,825</u>	<u>-</u>	<u>157,882</u>
Total capital assets	<u>13,224,020</u>	<u>-</u>	<u>13,224,020</u>	<u>2,771,585</u>	<u>(379,224)</u>	<u>15,616,381</u>
Less accumulated depreciation:						
Land improvements	-	(304,870)	(304,870)	(4,599)	1,491	(307,978)
Buildings	(3,845,188)	294,698	(3,550,490)	481,338	27,240	(3,041,912)
Machinery and Equipment	(1,967,841)	10,172	(1,957,669)	(619,939)	292,164	(2,285,444)
Vehicles	<u>(139,534)</u>	<u>-</u>	<u>(139,534)</u>	<u>6,408</u>	<u>-</u>	<u>(133,126)</u>
Total accumulated depreciation:	<u>(5,952,563)</u>	<u>-</u>	<u>(5,952,563)</u>	<u>(136,792)</u>	<u>320,895</u>	<u>(5,768,460)</u>
Total capital assets, net	<u>\$ 7,271,457</u>		<u>\$ 7,271,457</u>	<u>\$ 2,634,793</u>	<u>\$ (58,329)</u>	<u>\$ 9,847,921</u>

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 8 - CAPITAL ASSETS (Continued)

Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 5,472
Vocational	80,706
Support Services:	
Pupil	9,575
Instructional Staff	13,679
School Administration	8,208
Fiscal Services	4,104
Operation and Maintenance - Plant	8,208
Central	2,736
Non-Instructional Services	<u>4,104</u>
Total Depreciation Expense	<u>\$ 136,792</u>

NOTE 9 – LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2004 were as follows:

<u>Long-Term Obligation</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
State Loans, 0%	\$ 664,590	\$ -	\$ (88,428)	\$ 576,162	\$ 88,428
Construction Loan, 2.65%	<u>3,800,000</u>	<u>-</u>	<u>(950,000)</u>	<u>2,850,000</u>	<u>950,000</u>
Total Loans	<u>4,464,590</u>	<u>-</u>	<u>(1,038,428)</u>	<u>3,426,162</u>	<u>1,038,428</u>
Capital Leases	17,846	-	(12,298)	5,548	5,548
Compensated Absences	310,029	27,313	-	337,342	81,714
Total Long-Term Obligations	<u>\$ 4,792,465</u>	<u>\$ 27,313</u>	<u>\$(1,050,726)</u>	<u>\$ 3,769,052</u>	<u>\$ 1,125,690</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. At June 30, 2004, the District's general obligation debt was below the legal limit.

The capital lease will be paid from the Permanent Improvement Fund. Compensated absences will be paid from the fund from which the person is paid if the funds are available, otherwise, from the General Fund. The District received the State and Construction loans to finance several permanent improvement projects. Both loans are being repaid with tax monies collected in the Permanent Improvement Fund.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

Principal requirements to retire the state and construction loans outstanding at June 30, 2004 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,038,427	\$ 75,525
2006	1,038,427	50,350
2007	1,038,427	25,175
2008	60,881	-
2009	33,333	-
2010-2014	166,665	-
2015-2016	50,002	-
Total	<u>\$ 3,426,162</u>	<u>\$ 151,050</u>

Capital Leases

The School District has entered into a lease for equipment. The lease, entered into during fiscal year 2000, meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized in an amount equal to the present value of the future minimum lease payments at the time of acquisition.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	
2005	<u>\$ 5,705</u>
Total Minimum Lease Payments	5,705
Less: Amount Representing Interest	(157)
Present Value of Minimum Lease Payments	<u>\$ 5,548</u>

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Funding Policy. Plan members are required to contribute 10 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. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$341,535, \$302,479, and \$212,708, respectively, equal to the required contributions for each year.

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. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2002 Comprehensive Annual Financial Report can be requested in writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to invest all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of 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. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

Chapter 3307 of the Revised Code provides the statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2004, were 10 percent of covered payroll for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$872,642, \$805,232, and \$673,191, respectively; equal to the required contributions for each year.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 11 – POST-EMPLOYMENT BENEFITS

School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the healthcare allocation was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits was \$300.8 million.

The number of recipients currently receiving health care benefits is approximately 62,000. For the District, the amount contributed to fund postemployment benefits during fiscal year 2004 was \$142,215.

State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

Effective July 1, 2002, 1 percent of covered payroll will be allocated to the fund. For the District, the amount contributed to fund postemployment benefits during fiscal year 2004 was \$62,307.

At June 30, 2004 there were 111,853 eligible benefit recipients.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - 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 2004, the District contracted with Marsh USA, Inc. for property, general liability and automobile insurance. Coverage provided by Marsh USA, Inc. is as follows:

Buildings and Contents - replacement costs (\$1,000 deductible)	\$ 201,000,000
Inland Marine Coverage (\$2,500 deductible)	\$ 50,000,000
Crime Insurance (\$1,000 deductible)	\$ 500,000
Automobile Liability	\$ 1,000,000
Uninsured Motorists	\$ 1,000,000
School Errors and Omissions Liability (\$5,000 deductible)	\$ 1,000,000
General Liability:	
Per Occurrence	\$ 1,000,000
Total Per Year	\$ 3,000,000
Umbrella Liability	\$ 5,000,000

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

The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). SOEPC contracts with Comp Management, Inc. to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the School District by virtue of its grouping its representation with other participants in the pool. 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 pool. Each participant pays its workers compensation premium to the State based on the rate for the pool 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 pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool's selection criteria. Comp Management, Inc. provides administrative, cost control and actuarial services to the SOEPC.

The School District has elected to provide employee medical benefits through Anthem. The employees share the cost of the monthly premium with the Board for family plans. The Board pays 100 percent of a single plan premium and eighty-five percent of a family plan premium.

The School District provides life insurance and dental insurance to employees through Anthem.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 13 – OTHER BENEFITS

Compensated Absences

Accumulated Unpaid Vacation - District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the District as a whole amounted to \$40,923 at June 30, 2004.

Accumulated Unpaid Sick Leave - Sick leave may be accumulated by district employees. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum of fifty days for certified employees and forty-five days for classified employees. The District's total obligation for sick leave accrual as of June 30, 2004 was \$ 296,419.

NOTE 14 – INTERFUND ASSETS/LIABILITIES

Individual fund interfund asset, liability and transfer balances at June 30, 2004 were as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Vocational Education	\$ 406,965
	Adult Basic Literacy	51,409
	CTPD	784
		<u>\$ 459,158</u>

Interfund Transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 99,525	\$ 301,249
Other Governmental Funds:		
Food Service	132,641	-
District-Managed	1,341	-
Career Education	52,513	-
HSTW - Baughn	134	2,788
Adult Basic Literacy	1,706	-
CTPD	6	-
Other Federal	16,171	-
Total Interfund Transfers	<u>304,037</u>	<u>304,037</u>

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

The School District is a member and fiscal agent of the Miami Valley Educational Computer Association (MVECA), which is a computer consortium of area school districts sharing computer resources. MVECA is an association of public school districts in a geographical area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The Board of MVECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium. Financial information can be obtained from Norma Stewart, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Cooperative

The School District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools within geographical boundaries as defined by the SOEPC and to serve as a resource to member districts on matters related to business operations. The SOEPC elects one of its members as Chairperson and another as Vice-Chairperson. An Executive Committee is comprised of eleven members which include the Chairperson and Vice-Chairperson and a representative from the Fiscal Agent. Each new member pays an initiation fee in addition to the annual membership fee and other appropriate assessments. Financial information can be obtained from Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 16 – CONTINGENT LIABILITIES

Grants

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

Litigation

The School District's attorney estimates that any political claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 17 – SCHOOL FUNDING COURT DECISION

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

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 18 – SET ASIDE DISCLOSURE

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

During the fiscal year ended June 30, 2004, the District’s cash basis reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Total (Memorandum Only)
Beginning Balance	\$ (2,641,813)	\$ -	\$ (2,641,813)
Current Year Set-Aside	107,889	107,889	215,778
Current Year Offsets	0	(517,574)	(517,574)
Qualifying Disbursements	<u>(415,345)</u>	<u>(2,939)</u>	<u>(418,284)</u>
Ending Balance	<u><u>(2,949,269)</u></u>	<u><u>(412,624)</u></u>	<u><u>(3,361,893)</u></u>
 FY 2004 Carryover	 \$ (2,949,269)	 \$ (412,624)	 \$ (3,361,893)

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 19 – INVESTMENT POOL

The Greene County Vocational School District serves as fiscal agent for the Miami Valley Educational Computer Association (MVECA). The District pools the monies of the entity with its own for investment purposes. The District cannot allocate its investments between the internal and external investment pools. The MVECA portion held by the District is identified on the Combined Balance Sheet as an equity held in trust for pool participants in a trust fund.

The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of the interest that it earns. The investment pool consists of an overnight repurchase agreement.

Statement of Net Assets
June 30, 2004

Assets:	
Cash	\$ 4,039,343
Total Assets	<u>4,039,343</u>
Net Assets Held in Trust for Pool Participants	
Internal Portion	3,213,801
External Portion – MVECA	825,542
Total Net Assets Held in Trust for Pool Participants	<u>\$ 4,039,343</u>

Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2004

Revenues:	
Interest	\$ 67,061
Expenses:	
Operating Expenses	<u>0</u>
Net Increase in Assets Resulting from Operations	67,061
Capital Transactions	<u>(3,769,999)</u>
Decrease in Net Assets	(3,702,938)
Net Assets Beginning of Year	<u>7,742,281</u>
Net Assets End of Year	<u>\$ 4,039,343</u>

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$11,948		\$11,948
National School Lunch Program	LL-P1-2003	10.555	\$9,548		\$9,548	
	LL-P4-2004		23,916		23,916	
Total National School Lunch Program			33,464		33,464	
Total U.S. Department of Agriculture - Nutrition Cluster			33,464	11,948	33,464	11,948
U.S. DEPARTMENT OF EDUCATION						
Student Financial Assistance Cluster:						
Pell Grant	Direct	84.063	119,723		119,723	
(SEOG) Supplemental Education Opportunity Grants	Direct	84.007	14,838		14,838	
			134,561		134,561	
<i>Passed Through Ohio Department of Education:</i>						
Adult Education Basic Grant						
	AB-S1-2002	84.002	(9,301)			
	AB-S1-2003		(6,025)			
	AB-S1-2003 C		24,665		17,546	
	AB-S1-2004		58,700		106,934	
			68,039		124,480	
Vocational Education Basic Grants to States	20-C1-2003	84.048	43,448		57,544	
	20-C2-2003		44,476		44,476	
	20-C1-2004		298,518		298,518	
	20-A0-2004		30,000		30,000	
	20-C2-2004		58,993		58,993	
Total Vocational Education Basic Grants to States			475,435		489,531	
Drug-Free Schools Grant	DR-S1-2003	84.186	(314)			
	DR-S1-2004		314			
Goals 2000	G2-S5-2000	84.276	(16,171)			
Innovative Educational Program Strategies	C2-S1-2003	84.298	(755)			
	C2-S1-2004		755			
Eisenhower Professional Development State Grant	MS-S1-2000	84.281	(1,476)			
Title IIA Improving Teacher Quality	TR-S1-2003	84.367	(776)			
	TR-S1-2004		776			
Total Department of Education			660,388		748,572	
Total Federal Assistance			\$693,852	\$11,948	\$782,036	\$11,948

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

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY
JUNE 30, 2004**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards 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 - NUTRITION CLUSTER

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

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

NOTE C - MATCHING REQUIREMENTS

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

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Auditor of State Betty Montgomery

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

Greene County Vocational School District
Greene County
2960 West Enon Road
Xenia, Ohio 45385

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Greene County Vocational School District, Greene County (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated February 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001, 2004-002, and 2004-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 4, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 4, 2005.

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**Internal Control Over Financial Reporting
(Continued)**

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

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

Betty Montgomery
Auditor of State

February 4, 2005



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

Greene County Vocational School District
Greene County
2960 West Enon Road
Xenia, Ohio 45385

To the Board of Education:

Compliance

We have audited the compliance of Greene County Vocational School District, Greene County (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, 2004. 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, 2004. We noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 4, 2005.

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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**Internal Control Over Compliance
(Continued)**

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

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



Betty Montgomery
Auditor of State

February 4, 2005

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A - 133 § .505
FOR THE YEAR ENDED JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS
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(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):	Vocational Education Basic Grants to States – CFDA # 84.048
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2004-001

Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund should not exceed the total estimated resources as certified by the County Budget Commission. As of June 30, 2004 appropriations exceeded total estimated resources for the following funds

Fund	Total Appropriations	Total Estimated Resources	Variance
Debt Service (002)	\$2,197,118	\$1,120,666	(\$1,076,452)

The District should implement policies and procedures to prevent appropriations from exceeding the amounts certified as available for expenditure.

FINDING NUMBER 2004-002

Amending Appropriations

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

At the June 16, 2004, regular meeting, the Board authorized the Treasurer to balance appropriations through use of the "SETBAL" program. The presented budgetary statements reflect these changes made through the "SETBAL" program. Without the "SETBAL" adjustments the following funds would have had expenditures in excess of appropriations:

Fund	Amount Appropriated	Encumbered and Expended	Unfavorable Variance
General Fund (001)	\$10,798,518	\$11,241,318	\$(442,800)
Career Development (409)	0	89,148	(89,148)
Adult Education (419)	810,665	1,216,556	(405,891)
Entry Year (440)	0	1,235	(1,235)
Tech Prep/Misc State (416/499)	2,085	40,962	(38,877)
Adult Basic (501)	190,000	196,840	(6,840)
Vocational Ed (524)	380,037	489,537	(109,500)
Food Service (006)	270,000	327,549	(57,549)
Rotary (011)	137,927	138,462	(535)
Total	\$12,589,232	\$13,741,607	(\$1,152,375)

The Board should approve all appropriations and appropriation modifications. It is the responsibility of the Treasurer to present the appropriations and appropriation modifications as authorized by the Board through detailed schedules showing the amount of change at the legal level of budgetary control. The District should refer to Auditor of State Bulletin 97-10 for further guidance on this issue.

FINDING NUMBER 2004-003

Transfer of Funds

Ohio Revised Code Section 5705.14 states that money may be transferred from the general fund to any other fund of the subdivision. Transfers from the general fund require a resolution passed by a simple majority of the board members.

The Treasurer transferred funds from the general fund to the following funds without the approval of the Board of Education. The Board authorized the Treasurer to make transfers as needed to eliminate deficit fund balances at fiscal year end, but did not approve the specific transfers identified below.

Fund	Amount
300-District Managed Activity	\$1,341
006- Food Service	\$132,641
011-Rotary Fund	\$55,653
409-Career Development	\$52,513
499-Misc Grants	\$134
501-Adult Basic Education	\$1,706
524-Vocational Education -Carl D. Perkins	\$6
599-Misc Federal Grants	\$16,171

The budgetary statements as presented reflect these transfers. The Treasurer should have all transfers approved by the Board pursuant to the requirements of the Ohio Revised Code.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**GREENE COUNTY VOCATIONAL SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2004**

<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>
2003-001	Ohio Rev. Code Section 5705.40 - Amending Appropriations	No	Repeated as finding 2004-002
2003-002	Ohio Rev. Code Section 5705.14 - Transfer of Funds	No	Repeated as finding 2004-003



**Auditor of State
Betty Montgomery**

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GREENE COUNTY VOCATIONAL SCHOOL DISTRICT

GREENE 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
MARCH 10, 2005**