



Mary Taylor, CPA
Auditor of State

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Vocational School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2007, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Vocational School District, Warren County, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Adult Education funds 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 March 12, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

March 12, 2008

*Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(unaudited)*

The management's discussion and analysis of Warren County Vocational School District's (the "School District") financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the financial statement and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- ✓ Governmental total assets exceeded total liabilities at the close of the most recent fiscal year by \$12.37 million for governmental activities.
- ✓ General revenues in governmental activities accounted for \$13.06 million in revenue or 84.11 percent of all revenues. Program specific revenues in charges for services and grants and contributions accounted for \$2.47 million or 15.89 percent of \$15.53 million in total governmental activities revenue.
- ✓ The business-type activities were financed through programs revenues of \$0.12 million resulting in year end net assets of \$0.20 million.
- ✓ At the end of the current fiscal year, cash and cash equivalents of \$8.46 million accounted for 49.42 percent of total assets, excluding capital assets, an increase of over twenty percent from last year.
- ✓ The School District had \$13.48 million in expenses relating to governmental activities; only \$2.47 million of these expenses were offset by program specific revenues. General revenues were adequate to cover the \$11.01 million net expense of governmental programs.
- ✓ Among major funds, the general fund had \$13.15 million in revenues and \$10.77 in expenditures. The general fund's balance at the close of the current year was 59.72 percent of the current year's expenditures.
- ✓ The School District is currently transferring cash when available to the permanent improvement fund to address facility as well as technology replacement issues over the next five years. The main facility is over thirty years old. Discussions had started to contract with an architect to review renovation needs and technology upgrades.

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

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general instruction of secondary students and the associated support for those services. The business-type activities include the education of adults and general customer services for the School District. The government-wide financial statements can be found on pages 13-14 of this report.

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

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

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

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

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 13-18 of this report.

Proprietary Funds. The School District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School District used enterprise funds to account for its customer service. *Internal service fund* is an accounting device used to accumulate and allocate costs among the School District's various functions. The School District used the internal service fund to account for its internal health care coverage. Because this service predominately benefits governmental rather than business-type functions, it has been included within the *governmental activities* in the government-wide financial statements. The proprietary fund statements can be found on pages 19-21.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 22 of this report.

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 23 of this report.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(unaudited)

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2006 to 2007.

Table 1
Net Assets

	<i>Governmental Activities</i>			<i>Business-Type Activities</i>		
	<i>(In millions)</i>					
	2006	2007	Change	2006	2007	Change
Assets						
Current and Other Assets	\$14.99	\$17.20	\$2.21	(\$3,202)	(\$75,756)	(\$72,554)
Capital Assets	4.93	5.39	0.46	184,088	277,436	93,348
<i>Total Assets</i>	<u>19.92</u>	<u>22.59</u>	<u>2.67</u>	<u>180,886</u>	<u>201,680</u>	<u>20,794</u>
Liabilities						
Long-term Liabilities	1.24	1.42	0.18	0	0	0
Other Liabilities	8.36	8.80	0.44	37	4,351	4,314
<i>Total Liabilities</i>	<u>9.60</u>	<u>10.22</u>	<u>0.62</u>	<u>37</u>	<u>4,351</u>	<u>4,314</u>
Net Assets						
Invested in Capital						
Assets, net of related debt	4.02	4.32	0.30	184,088	277,436	93,348
Restricted	1.30	1.68	0.38	0	0	0
Unrestricted	5.00	6.37	1.37	(3,239)	(80,107)	(76,868)
<i>Total Net Assets</i>	<u>\$10.32</u>	<u>\$12.37</u>	<u>\$2.05</u>	<u>\$180,849</u>	<u>\$197,329</u>	<u>\$16,480</u>

Current liabilities for governmental activities increased due to larger anticipated taxes receivable which is considered unearned revenue for the School District at year end. The School District was able to increase current and other assets in the governmental activities mainly due to the increase in the cash balance (\$1.56 million) through a significant increase in revenues that was greater than the related expenditure increases. As noted in the financial highlights, the School District was able to increase the cash and cash equivalents over twenty percent during the fiscal year.

The School District is maintaining larger cash reserves and currently is transferring those reserves when available to the permanent improvement fund to address facility as well as technology replacement issues over the next five years. The main facility is over thirty years old. Discussions had started to contract with an architect to review renovation needs and technology upgrades.

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

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

Graph 1

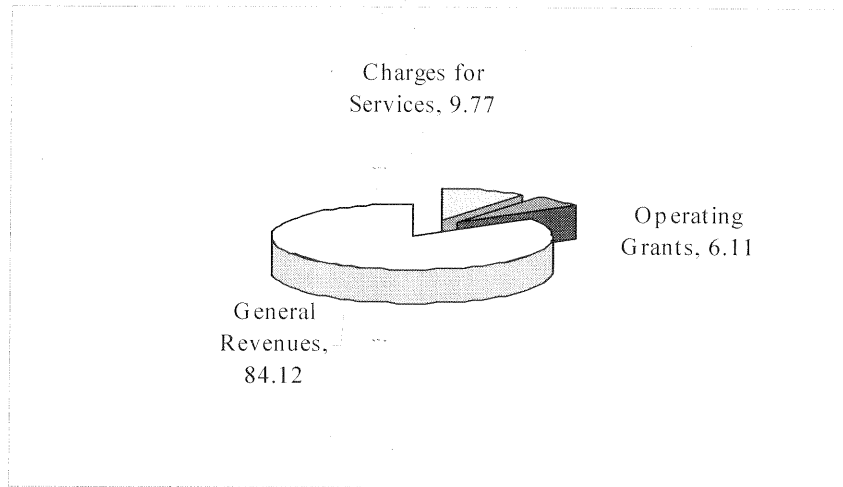


Table 2 details the actual amounts (in thousands) for the School District as a whole from 2006 to 2007.

	Governmental Activities		Business-Type Activities		Primary Government	
	2006	2007	2006	2007	2006	2007
Program Revenues						
Charges for Services	\$1,259	\$1,518	\$123	\$118	\$1,382	\$1,636
Operating Grants and Contributions	938	949	0	0	938	949
Total Program Revenues	2,197	2,467	123	118	2,320	2,585
General Revenues						
Property Taxes	5,729	7,532	0	0	5,729	7,532
Payment in Lieu of Taxes	34	16	0	0	34	16
Unrestricted Grants and Contributions	5,062	5,106	0	0	5,062	5,106
Investment Earnings	230	363	0	0	230	363
Miscellaneous	51	41	0	0	51	41
Total General Revenues	11,106	13,058	0	0	11,106	13,058
All Revenues	\$13,303	\$15,525	\$123	\$118	\$13,426	\$15,643

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Warren County, Ohio
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(unaudited)

Table 3 compares total program expenses from fiscal year 2006 to 2007.

Table 3
(in thousands)

	Governmental Activities		Business-Type Activities		Primary Government	
	2006	2007	2006	2007	2006	2007
Program Expenses						
<i>Instruction:</i>						
Special	\$128	\$134	\$0	\$0	\$128	\$134
Vocational	5,823	7,013	0	0	5,823	7,013
Adult/Continuing	154	158	0	0	154	158
<i>Support Services:</i>						
Pupils	1,018	1,105	0	0	1,018	1,105
Instructional Staff	426	420	0	0	426	420
Board of Education	16	32	0	0	16	32
Administration	1,356	1,272	0	0	1,356	1,272
Fiscal	456	498	0	0	456	498
Business	13	0	0	0	13	0
Operation and Maintenance	606	858	0	0	606	858
Pupil Transportation	84	120	0	0	84	120
Central	1,234	1,409	0	0	1,234	1,409
Operation on Non-Instructional Services	18	47	0	0	18	47
Food Service	240	299	0	0	240	299
Extracurricular Activities	61	73	0	0	61	73
Rotary	0	0	223	102	223	102
Interest and Fiscal Charges	35	39	0	0	35	39
Total Expenses	11,668	13,477	223	102	11,891	13,579
Change in Net Assets	1,635	2,048	(100)	16	1,535	2,064
Beginning Net Assets	8,684	10,319	281	181	8,965	10,500
Ending Net Assets	\$10,319	\$12,367	\$181	\$197	\$10,500	\$12,564

*Warren County Vocational School District
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Management's Discussion and Analysis
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The School District saw a significant increase property taxes from the prior year for two reasons. First, there was \$536,000 additional taxes available for advance in 2007 and secondly the triennial update was collected during fiscal year 2007. With foundation and grant revenue staying relatively flat from the prior year, the School District relied heavily on the increase in property tax revenue to increase cash reserves.

The School District did increase expenses significantly, mainly in the vocation instruction line item, with expenses related to improvements for instruction related needs and expansion in several of the other School District's key operational activities. The School District saw the need to increase instruction expenses while reducing administrative expense (administration, fiscal, business and central support services) by \$133,000 from 2006.

The Major Funds

The School District's major funds start on page 15 for governmental funds. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the School District. The major funds account for 94.13% of the \$15.53 million in total revenue and 90.15% percent of the \$14.16 million in total expenditures. The general fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues were greater than expenditures in the general fund creating a year end fund balance of \$6.43 million even with the School District transferring nearly a million dollars for permanent improvement purposes. The adult education fund received a majority of its revenues from charges for services or fees which caused the fund to almost breakeven for the fiscal year.

The general fund recognized \$0.76 million in current liabilities (less unearned revenue) for fiscal year 2007. Accrued salaries and benefits accounted for 78.51% of those liabilities. The general fund maintained a cash balance of \$6.21 million, which accounted for 74.72% of total School District governmental funds cash balance.

One of the School District express purposes is to service the adult community through various programs. The School District served over 7,300 adults during 2007. With \$1.59 million in expenditures, the adult education fund is second only to the general fund in expenditures that the School District incurs on an annual basis. The School District was able to maintain the adult education fund balance of \$0.31 million for the fiscal year, which marks the first time in four years change in fund balance wasn't positive.

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

General Fund Budgetary

Graph 3 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2007.

*Graph 3
Original Budget versus Final Budget for General Fund*

	Budget	
	Original	Final
<u>Revenues:</u>		
Property Taxes	\$6,977,496	\$7,313,521
Intergovernmental	4,812,504	5,106,194
Other	257,000	465,475
Total Revenues	12,047,000	12,885,190
<u>Expenditures:</u>		
Current:		
Instruction	6,088,860	6,229,665
Support Services	4,698,456	4,210,238
Other	774,783	438,091
Total Expenditures	\$11,562,099	\$10,877,994

The two major differences in revenue were property taxes increasing \$336,025 and intergovernmental revenues increasing \$293,690. Both of those differences can be explained through the School District's increase in real property tax revenue and the rollback amount that is reimbursed through funds the state provide. The School District also took a "slight increase" approach when predicting school foundation monies (intergovernmental revenue).

Final budgeted expenditures were reduced by approximately six percent from the original budgeted expenditures. The School District decreased the final budget for reduced purchased service costs throughout the functions that were anticipated during the preparation of the original budget.

Final Budget versus Actual Results

The School District prepared the final budget towards the end of June 2007 when actual results were known. There is no difference in the final revenue amounts except \$6,947 for interest the School District received at the end of June and an additional rent payment received in June.

For actual expenditures to final budgeted amounts, the School District completed the final budget during the last week of June when the final expenditures amounts were known.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(unaudited)

Capital Assets

During 2007, the School District saw an increase of \$0.46 million invested in land, buildings, equipment, and vehicles. A schedule showing accumulated depreciation and the breakdown of current year depreciation can be found in note 8 of the financial statements. Table 4 shows the breakdown of the individual classes for capital assets (not including accumulated depreciation).

Table 4
Capital Assets, net of depreciation

	Governmental		Business-Type		Total		Percentage
	Activities		Activities				Change
	2006	2007	2006	2007	2006	2007	2006-07
Land	\$456,000	\$456,000	\$26,000	\$26,000	\$482,000	\$482,000	0.00%
Construction In							
Process	0	67,686	0	0	0	67,686	100.00%
Land Improvements	221,592	307,806	0	0	221,592	307,806	38.91%
Buildings and							
Improvements	7,967,773	7,969,766	156,678	230,641	8,124,451	8,200,407	0.93%
Furniture and							
Equipment	4,230,005	5,158,535	4,901	30,856	4,234,906	5,189,391	22.54%
Vehicles	461,714	502,714	0	0	461,714	502,714	8.88%
Accumulated							
Depreciation	(8,405,599)	(9,074,619)	(3,491)	(10,061)	(8,409,090)	(9,084,680)	8.03%
Total	\$4,931,485	\$5,387,888	\$184,088	\$277,436	\$5,115,573	\$5,665,324	10.75%

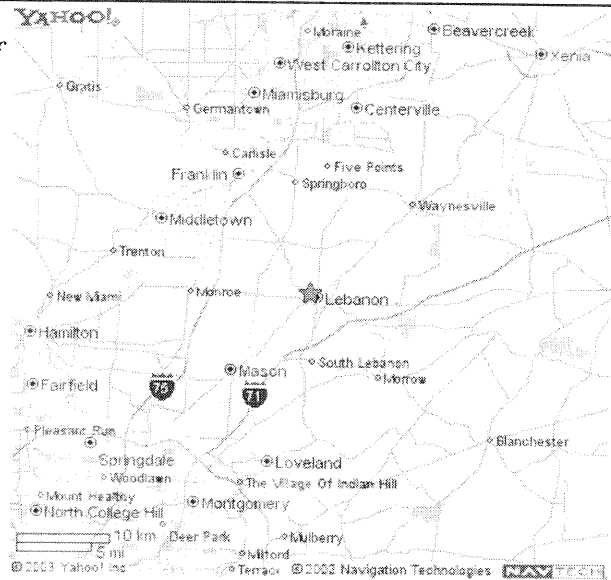
Debt Administration

The School District has no long term general obligation debt. The School District paid down the capital lease obligation in the amount of \$242,850. During the current year, the School District entered into another CAT equipment lease during 2007. In 2005, the School District entered into capitalized leases relating to the purchase of CAT equipment and replacing the roof on the main instructional building. For further information on the School District's obligations refer to notes 13 and 14 of the financial statements.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(unaudited)

Other items impacting the financial strength of the School District

The School District is located within Warren County and benefits from development occurring throughout the County. As one of the fastest growing counties in the State, the School District saw assessed valuations on properties increase \$1.9 billion from 2000 to 2007. Given the size of the valuation for the School District, this continued increase in valuation signifies that the area is a growing community and the School District should continue to see economic growth throughout its jurisdictional boundaries.



Request for Information

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

Treasurer
Warren County
Vocational School District

Warren County Vocational School District
Warren County, Ohio
Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Investments	\$ 8,316,650	\$ 148,707	\$ 8,465,357
Receivables:			
Property and Other Taxes	8,507,587	0	8,507,587
Accounts	7,558	920	8,478
Accrued Interest	42,882	0	42,882
Intergovernmental	16,046	0	16,046
Materials and Supplies Inventory	88,418	0	88,418
Internal Balances	225,383	(225,383)	0
Nondepreciable Capital Assets	523,686	26,000	549,686
Depreciable Capital Assets	4,864,202	251,436	5,115,638
Total Assets	<u>22,592,412</u>	<u>201,680</u>	<u>22,794,092</u>
<u>Liabilities</u>			
Payables:			
Accounts	74,300	1,392	75,692
Contracts	39,070	0	39,070
Intergovernmental	113,728	2,959	116,687
Salaries and Employee Benefits	644,654	0	644,654
Deferred Revenue	7,925,117	0	7,925,117
Noncurrent Liabilities:			
Due within one year	426,591	0	426,591
Due in more than one year	1,001,458	0	1,001,458
Total Liabilities	<u>10,224,918</u>	<u>4,351</u>	<u>10,229,269</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	4,320,146	277,436	4,597,582
Restricted for:			
Grants	5,996	0	5,996
Capital Improvements	1,671,640	0	1,671,640
Unrestricted (Deficit)	6,369,712	(80,107)	6,289,605
Total Net Assets	<u>\$ 12,367,494</u>	<u>\$ 197,329</u>	<u>\$ 12,564,823</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2007

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction:						
Special	134,134	\$0	\$0	(\$134,134)	\$0	(\$134,134)
Vocational	7,012,570	390,386	283,796	(6,338,388)	0	(6,338,388)
Adult/Continuing	157,485	0	102,115	(55,370)	0	(55,370)
Support Services:						
Pupils	1,106,863	471	89,606	(1,016,786)	0	(1,016,786)
Instructional Staff	419,357	0	120,804	(298,553)	0	(298,553)
Board of Education	32,162	0	0	(32,162)	0	(32,162)
Administration	1,271,774	280,205	89,165	(902,404)	0	(902,404)
Fiscal	498,278	0	0	(498,278)	0	(498,278)
Business	63	0	0	(63)	0	(63)
Operation and Maintenance of Plant	858,281	33,907	0	(824,374)	0	(824,374)
Pupil Transportation	119,462	0	0	(119,462)	0	(119,462)
Central	1,408,765	632,316	220,168	(556,281)	0	(556,281)
Operation of Non-Instructional Services	47,229	0	0	(47,229)	0	(47,229)
Food Service	298,928	180,270	43,298	(75,360)	0	(75,360)
Extracurricular Activities	72,661	0	0	(72,661)	0	(72,661)
Interest and Fiscal Charges	39,118	0	0	(39,118)	0	(39,118)
Total Governmental Activities	<u>13,477,130</u>	<u>1,517,555</u>	<u>948,952</u>	<u>(11,010,623)</u>	<u>0</u>	<u>(11,010,623)</u>
Business-Type Activities:						
Customer Service	101,859	118,339	0	0	16,480	16,480
Total Business-Type Activities	<u>101,859</u>	<u>118,339</u>	<u>0</u>	<u>0</u>	<u>16,480</u>	<u>16,480</u>
Total Primary Government	<u>\$13,578,989</u>	<u>\$1,635,894</u>	<u>\$948,952</u>	<u>(11,010,623)</u>	<u>16,480</u>	<u>(10,994,143)</u>
General Revenues:						
Property Taxes				7,532,579	0	7,532,579
Payment in Lieu of Taxes				16,045	0	16,045
Grants and Contributions not restricted to specific programs				5,106,194	0	5,106,194
Unrestricted investment earnings				362,972	0	362,972
Miscellaneous				41,313	0	41,313
Total General Revenues				<u>13,059,103</u>	<u>0</u>	<u>13,059,103</u>
Changes in Net Assets				2,048,480	16,480	2,064,960
Net Assets-Beginning - Restated				10,319,014	180,849	10,499,863
Net Assets-Ending				<u>\$12,367,494</u>	<u>\$197,329</u>	<u>\$12,564,823</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Balance Sheet - Governmental Funds
June 30, 2007

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 6,214,260	\$ 372,203	\$ 1,730,096	\$ 8,316,559
Receivables:				
Property and Other Taxes	8,507,587	0	0	8,507,587
Accounts	5,238	1,683	637	7,558
Interfund	251,658	0	13,158	264,816
Accrued Interest	42,882	0	0	42,882
Intergovernmental	16,046	0	0	16,046
Materials and Supplies Inventory	84,978	0	3,440	88,418
Total Assets	15,122,649	373,886	1,747,331	17,243,866
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Payables:				
Accounts	63,774	5,995	4,531	74,300
Contracts	15,765	0	23,305	39,070
Due to Local Governments	84,642	21,848	7,238	113,728
Salaries and Employee Benefits	599,755	18,968	25,931	644,654
Interfund	0	19,991	19,442	39,433
Deferred Revenue	7,925,117	0	0	7,925,117
Total Liabilities	8,689,053	66,802	80,447	8,836,302
<u>Fund Balances:</u>				
Reserved for:				
Encumbrances	168,535	35,949	82,646	287,130
Property Taxes	536,883	0	0	536,883
Unreserved, reported in:				
General	5,728,178	0	0	5,728,178
Special Revenue (Deficit)	0	271,135	(7,570)	263,565
Capital Projects	0	0	1,591,808	1,591,808
Total Fund Balances	6,433,596	307,084	1,666,884	8,407,564
Total Liabilities and Fund Balances	\$ 15,122,649	\$ 373,886	\$ 1,747,331	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,387,888
Internal service fund is used by management to charge the cost of benefit insurance to employees	91
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,428,049)
	<u>\$ 12,367,494</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$ 7,532,579	\$ -	\$ -	\$ 7,532,579
Intergovernmental	5,106,194	353,128	595,822	6,055,144
Charges for Services	0	0	149,718	149,718
Tuition and Fees	90,708	1,092,145	106,394	1,289,247
Interest	343,254	0	19,718	362,972
Gifts and Donations	50	205	9,319	9,574
Payment in Lieu of Taxes	16,045	0	0	16,045
Rent	33,907	1,324	0	35,231
Miscellaneous	31,945	12,132	31,023	75,100
Total Revenues	<u>13,154,682</u>	<u>1,458,934</u>	<u>911,994</u>	<u>15,525,610</u>
Expenditures:				
Current:				
Instruction:				
Special	134,134	0	0	134,134
Vocational	6,093,765	266,904	361,507	6,722,176
Adult Education	1,713	66,628	107,693	176,034
Support Services:				
Pupils	916,761	69,666	102,235	1,088,662
Instructional Staff	278,585	9,545	131,395	419,525
Board of Education	20,541	0	11,621	32,162
Administration	970,779	278,452	730	1,249,961
Fiscal	486,475	0	0	486,475
Business	63	0	0	63
Operation and Maintenance of Plant	858,206	0	0	858,206
Pupil Transportation	76,752	0	51,500	128,252
Central	424,012	750,397	18,000	1,192,409
Operation of Non-Instructional Services	21,088	1,081	329,090	351,259
Extracurricular Activities	72,661	0	0	72,661
Capital Outlay	282,583	400,000	280,334	962,917
Debt Service:				
Principal Retirement	117,322	125,528	0	242,850
Interest and Fiscal Charges	17,004	22,114	0	39,118
Total Expenditures	<u>10,772,444</u>	<u>1,990,315</u>	<u>1,394,105</u>	<u>14,156,864</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	2,382,238	(531,381)	(482,111)	1,368,746
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	6,307	0	0	6,307
Inception of Capital Leases	0	400,000	0	400,000
Transfers - In	0	124,866	826,005	950,871
Transfers - Out	(950,871)	0	0	(950,871)
Total Other Financing Sources (Uses)	<u>(944,564)</u>	<u>524,866</u>	<u>826,005</u>	<u>406,307</u>
Net Change in Fund Balances	1,437,674	(6,515)	343,894	1,775,053
Fund Balances - beginning	4,995,922	313,599	1,322,990	
Fund Balances - ending	<u>\$ 6,433,596</u>	<u>\$ 307,084</u>	<u>\$ 1,666,884</u>	

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

Net Change in Fund Balances - total governmental funds

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

456,403

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

(182,976)

Change in net assets of governmental activities

\$ 2,048,480

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2007

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$6,977,496	\$7,313,521	\$7,313,521	\$0
Intergovernmental	4,812,504	5,106,194	5,106,194	0
Tuition and Fees	10,000	90,708	90,708	0
Interest	175,000	291,620	298,567	6,947
Rent	25,000	31,039	33,907	2,868
Gifts and Donations	2,000	50	50	0
Payment in Lieu of Taxes	35,000	28,365	28,365	0
Miscellaneous	10,000	23,693	23,711	18
Total Revenues	12,047,000	12,885,190	12,895,023	9,833
Expenditures:				
Current:				
Instruction:				
Regular	500	0	0	0
Special	87,000	133,198	133,198	0
Vocational	6,001,360	6,094,754	6,094,756	(2)
Other	0	1,713	1,713	0
Support Services:				
Pupils	921,353	913,054	913,054	0
Instructional Staff	303,988	290,221	290,221	0
Board of Education	29,334	20,598	20,598	0
Administration	880,113	982,546	982,547	(1)
Fiscal	498,325	486,599	486,599	0
Business	0	63	63	0
Operation and Maintenance of Plant	1,272,825	1,003,169	1,003,169	0
Pupil Transportation	79,232	69,507	69,507	0
Central	713,286	444,481	444,481	0
Operation of Non-				
Instructional Services	20,453	20,951	20,951	0
Extracurricular Activities	69,130	74,960	74,960	0
Capital Outlay	685,200	342,180	342,179	1
Total Expenditures	11,562,099	10,877,994	10,877,996	(2)
Excess of Revenues Over Expenditures	484,901	2,007,196	2,017,027	9,831
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	100	6,307	6,307	0
Refund of Prior Year Expenditures	10,500	9,498	9,498	0
Refund of Prior Year Receipts	(500)	0	0	0
Advances In	175,000	201,539	201,539	0
Advances Out	(175,000)	(280,057)	(280,057)	0
Transfers Out	(950,000)	(954,471)	(954,471)	0
Total Other Financing Sources (Uses)	(939,900)	(1,017,184)	(1,017,184)	0
Net Change in Fund Balance	(454,999)	990,012	999,843	9,831
Fund Balances at Beginning of Year	4,652,455	4,652,455	4,652,455	0
Prior Year Encumbrances Appropriated	403,903	403,903	403,903	0
Fund Balances at End of Year	\$4,601,359	\$6,046,370	\$6,056,201	\$9,831

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Adult Education Fund
For the Fiscal Year Ended June 30, 2007

	Adult Education			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$384,378	\$345,767	\$353,128	\$7,361
Tuition and Fees	1,441,194	1,073,901	1,092,145	18,244
Rent	6,000	1,324	1,324	0
Gifts and Donations	40,000	205	205	0
Miscellaneous	0	11,092	11,092	0
Total Revenues	1,871,572	1,432,289	1,457,894	25,605
Expenditures:				
Current:				
Instruction:				
Vocational	331,293	259,239	259,239	0
Adult/Continuing	71,500	67,040	67,040	0
Support Services:				
Pupils	72,473	69,257	69,257	0
Instructional Staff	10,377	9,067	9,067	0
Administration	323,456	285,710	285,711	(1)
Central	925,574	907,310	907,311	(1)
Operation of Non-				
Instructional Services	750	1,081	1,081	0
Capital Outlay	4,000	0	0	0
Total Expenditures	1,739,423	1,598,704	1,598,706	(2)
Excess of Revenues Over (Under) Expenditures	132,149	(166,415)	(140,812)	25,603
Other Financing Sources (Uses):				
Advances In	0	62,030	62,030	0
Advances Out	(600)	(62,030)	(62,030)	0
Transfers In	128,761	187,667	187,667	0
Transfers Out	0	(62,801)	(62,801)	0
Total Other Financing Sources (Uses)	128,161	124,866	124,866	0
Net Change in Fund Balance	260,310	(41,549)	(15,946)	25,603
Fund Balances at Beginning of Year	314,344	314,344	314,344	0
Prior Year Encumbrances Appropriated	37,850	37,850	37,850	0
Fund Balances at End of Year	\$612,504	\$310,645	\$336,248	\$25,603

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Customer Service Fund	Governmental Internal Service Fund
<u>Assets</u>		
<i>Current Assets</i>		
Equity in Pooled Cash and Cash Equivalents	\$ 148,707	\$ 91
Receivables:		
Accounts	920	0
Total Current Assets	149,627	91
<i>Noncurrent Assets</i>		
Capital Assets (net of accumulated depreciation)	277,436	0
Total Assets	427,063	91
<u>Liabilities</u>		
<i>Current Liabilities</i>		
Payables:		
Accounts	1,392	0
Intergovernmental	2,959	0
Interfund	225,383	0
Total Current Liabilities	229,734	0
<u>Net Assets</u>		
Invested in capital assets, net of related debt	277,436	0
Unrestricted (Deficit)	(80,107)	91
Total Net Assets	\$ 197,329	\$ 91

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	Customer Service Fund	Governmental Internal Service Fund
	<u> </u>	<u> </u>
<u>Operating Revenues:</u>		
Charges for Services	\$118,339	\$0
	<u> </u>	<u> </u>
Total Operating Revenues	118,339	0
	<u> </u>	<u> </u>
<u>Operating Expenses:</u>		
Salaries	2,568	0
Fringe Benefits	4,991	0
Purchased Services	11,405	0
Materials and Supplies	76,325	0
Depreciation	6,570	0
	<u> </u>	<u> </u>
Total Operating Expenses	101,859	0
	<u> </u>	<u> </u>
Change in Net Assets	16,480	0
Net Assets -		
Beginning of Year - Restated	180,849	91
	<u> </u>	<u> </u>
Net Assets - End of Year	\$197,329	\$91
	<u> </u>	<u> </u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	Customer Service Fund	Governmental Internal Service Fund
<u>Decrease in Cash and Cash Equivalents:</u>		
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$119,101	\$0
Cash Payments to Suppliers for Goods and Services	(86,231)	0
Cash Payments to Employees for Services	(2,568)	0
Cash Payments for Employee Benefits	(2,176)	0
	28,126	0
<u>Net Cash Used for Operating Activities</u>		
<u>Cash Flows from Noncapital Financing Activities:</u>		
Short Term Loan	74,900	0
	74,900	0
<u>Net Cash Provided by Noncapital Financing Activities</u>		
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Payments for Capital Acquisitions	(99,918)	0
	(99,918)	0
<u>Net Cash Used For Capital and Related Financing Activities</u>		
Net Decrease in Cash and Cash Equivalents	3,108	0
Cash and Cash Equivalents at Beginning of Year	145,599	91
	148,707	91
	148,707	91
<u>Reconciliation of Operating Income to Net Cash Used for Operating Activities:</u>		
Operating Income	16,480	0
<u>Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:</u>		
Depreciation	6,570	0
<u>Changes in Assets and Liabilities:</u>		
Decrease in Accounts Receivable	762	0
Increase in Accounts Payable	1,355	0
Increase in Intergovernmental Payable	2,959	0
	11,646	0
Total Adjustments	11,646	0
Net Cash Used for Operating Activities	\$28,126	\$0

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Fiduciary Assets and Liabilities -
Fiduciary Funds
June 30, 2007

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 47,890</u>
<u>Liabilities</u>	
Due to Students	<u>47,890</u>
Total Liabilities	<u>\$47,890</u>

See accompanying notes to the basic financial statements

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The School District employs 84 certified and 33 classified staff members who serve approximately 1,187 secondary students and 7,361 adult students. A vocational school exposes high school and adult students to academic preparation and job training which leads to employment and/or further education upon graduation from high school.

Reporting Entity

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

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

The School District is associated with three organizations, two jointly governed organizations and one insurance purchasing pool. These organizations are the Southwest Ohio Computer Association, the Jewell Education Foundation, and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. These organizations are discussed in Notes 16 and 17.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Government-wide and fund financial statements

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

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

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

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Accounting

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

Governmental Funds

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

The District reports the following major governmental funds:

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following major proprietary fund:

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

Additionally, the District reports the following fund types:

Internal Service Fund accounts for the financing of the self-insured benefits plan provided by the District to the employees on a cost reimbursement basis. This fund is considering inactive by the School District but still maintains a minimum cash balance. The School District will evaluate and eliminate the remaining cash balance in future years.

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (although no such grants or contributions were received for the year ending June 30, 2007). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

C. Budgetary Data

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

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

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts by formal resolution the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued during fiscal year 2007.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

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

During the current fiscal year and at year-end, investments were limited to governmental sponsored enterprise securities.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the current fiscal year amounted to \$343,254 with \$13,064 assigned from other funds. The permanent improvement capital projects fund also received interest of \$19,718.

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

E. Inventory (Materials and Supplies)

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

F. Capital Assets

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

G. Interfund Assets/Liabilities

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

H. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after twenty years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements for which there were none. The entire liability is reported on the government-wide statement of net assets.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities and Long-Term Obligations

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

J. Interfund Activity

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

K. Fund Balance Reserves

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

L. Net Assets

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

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

N. Exchange/Non-Exchange Transactions

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Estimates

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

P. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$1,428,049) difference are as follows:

Capital Lease Payable	(\$903,432)
Compensated Absences	<u>(524,617)</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>(\$1,428,049)</u></u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.” The details of \$5,387,888 difference are as follows:

Capital Assets	\$14,462,507
Accumulated Depreciation	<u>(9,074,619)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$5,387,888</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An element of that reconciliation states that “Repayment of long-term obligations is reported as an expenditure in government funds, the repayment reduces long-term liabilities in the statement of net assets.” The details of this (\$182,976) are as follows:

Change in Benefit Balances	(\$25,826)
Net Change Lease Obligations	(157,150)
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>(\$182,976)</u>

Another element of that reconciliation states that “Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$456,403 are as follows:

Current Capital Additions	\$1,224,830
Loss on Disposal of Assets	(6,818)
Depreciation Expense	(761,609)
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$456,403</u>

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

Budgetary Basis of Accounting:

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

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

Net Change in Fund Balance
Major Funds

	General Fund	Adult Education Fund
GAAP Basis	\$1,437,674	(\$6,515)
Adjustments:		
Revenue Accrual	(250,161)	(401,040)
Expenditure Accrual	62,983	427,558
Advances	(82,118)	0
Encumbrances	(168,535)	(35,949)
Budget Basis	\$999,843	(\$15,946)

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - ACCOUNTABILITY

At June 30, 2007 the following fund had deficit fund balances:

<u>Nonmajor Funds:</u>	<u>Amount</u>
Food Service Fund	\$10,358
Uniform School Supplies Fund	16,029
Other Local Grants	667
Educational Management Information Systems Fund	18
Career Education Fund	5,466
Early Entry Fund	745
ABLE Fund	3,770
Vocational Education Fund	8,123

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

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2007, the School District's internal service fund had a balance of \$91 maintained in a separate governmental type fund.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$5,005,925 of the School District's bank balance of \$5,229,745 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (continued)

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2007, the School District had the following investments.

	Carrying and Fair Value	Average Maturity (in years)
Federal Home Loan Bank Note	\$2,873,117	1.85
Federal National Mortgage Association Note	397,188	2.45
Federal Farm Credit Bureau Note	189,287	1.65
Certificates of Deposit	295,510	<1.00
Money Market Mutual Fund	6,599	N/A
Total Investments	<u>\$3,761,701</u>	

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District limits their investments to securities in U.S governmental agency notes. Below are the credit ratings of the School District’s investments:

Security	Rating Agency	
	Moody’s	Standard & Poor’s
Federal Home Loan Bank Note	Aaa	AAA
Federal National Mortgage Association Note	Aaa	AAA
Federal Farm Credit Bureau Note	Aaa	AAA

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The governmental agency notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The School District's investment in Federal Home Loan Bank Notes represents 76.38% of the total investments, Federal National Mortgage Association Notes represents 10.56% of the total investments, certificates of deposit represents 7.86% of the total investments, the Federal Farm Credit Bureau Notes represents 5.03% of the total investments and the remaining 0.17% is invested in the money market mutual fund.

NOTE 6- PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2006 were based, are as follows:

	2006 First- Half Collections		2007 Second- Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$3,022,653,990	90.89%	\$3,623,324,160	93.46%
Public Utility Personal	111,987,500	3.37	111,119,650	2.87
Tangible Personal Property	190,998,838	5.74	142,395,184	3.67
Total Assessed Value	<u>\$3,325,640,328</u>	<u>100.00%</u>	<u>\$3,876,838,994</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.50		\$4.50	

Property taxes are levied and assessed on a calendar year basis. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for 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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6- PROPERTY TAXES (continued)

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

The District received property taxes from the County Auditor. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007 are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes, accounts (tuition and student fees), interfund, intergovernmental (grants and rentals), charges for services, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
Major Governmental Fund:	
General Fund	\$16,046

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Restated Balance 07/01/06	Increases	Decreases	Balance 6/30/07
Governmental Activities				
Capital Assets, not depreciated				
Land	\$456,000	\$0	\$0	\$456,000
Construction in Progress	0	67,686	0	67,686
Capital Assets, being depreciated				
Land Improvements	221,592	86,214	0	307,806
Buildings and Improvements	7,967,773	1,993	0	7,969,766
Furniture and Equipment	4,230,005	1,017,437	(88,907)	5,158,535
Vehicles	461,714	51,500	(10,500)	502,714
Total at Historical Cost	<u>13,337,084</u>	<u>1,224,830</u>	<u>(99,407)</u>	<u>14,462,507</u>
Less Accumulated Depreciation	<u>(8,405,599)</u>	<u>(761,609)</u>	<u>92,589</u>	<u>(9,074,619)</u>
Governmental Activities Capital Assets, Net	<u><u>4,931,485</u></u>	<u><u>463,221</u></u>	<u><u>(6,818)</u></u>	<u><u>5,387,888</u></u>
Business-Type Activities				
Capital Assets, not depreciated				
Land	26,000	0	0	26,000
Capital Assets, being depreciated				
Buildings and Improvements	156,678	73,963	0	230,641
Furniture and Equipment	4,901	25,955	0	30,856
Less Accumulated Depreciation	<u>(3,491)</u>	<u>(6,570)</u>	<u>0</u>	<u>(10,061)</u>
Business-Type Activities Capital Assets, Net	<u><u>\$184,088</u></u>	<u><u>\$93,348</u></u>	<u><u>\$0</u></u>	<u><u>\$277,436</u></u>

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

Instruction:	
Vocational	\$376,548
Adult Education	3,712
Support Services:	
Pupils	16,320
Administration	24,787
Fiscal	2,813
Operation and Maintenance of Plant	24,015
Pupil Transportation	41,959
Central	267,253
Non-operational Instruction	4,202
Total Depreciation Expense	<u><u>\$761,609</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2007, the School District contracted with Ohio School Plan for general liability insurance with a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate. Vehicles are also covered under a business policy with Ohio School Plan which carries a \$1,000 deductible for buses and \$250/\$500 comprehensive/collision on other vehicles and a \$2,000,000 limit on liability with \$5,000 for medical and \$1,000,000 for uninsured motorists.

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

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), and insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

The School District provided an option for medical/surgical benefits (PPO) administered by Anthem for health care coverage. The School District paid \$710.62 for family coverage or \$326.70 for individual coverage per month through October 1, 2006 and \$809.40 for family coverage or \$323.58 for individual coverage per month after October 1, 2006, both of which represents eighty-five percent of the premium required. The District also provides dental, vision and life coverage to the employees at a cost of \$92.81 for family coverage and \$41.47 for individual coverage through October 1, 2006 and \$98.72 for family coverage or \$43.84 for individual coverage per month after October 1, 2006.

The District completed the internal service fund in 2004 and therefore there is no claims liability reported in the internal service fund and governmental activities column on the statement of net assets at June 30, 2007; however, the fund still maintains a minimum cash balance of \$91.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$145,155, \$124,313, and \$127,931, respectively; 90 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$781,833, \$778,791, and \$756,373, respectively; 93 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$16,110 made by the School District and \$36,063 made by the plan members.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the 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. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$60,141 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$64,737.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

NOTE 12 - COMPENSATED ABSENCES

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

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

NOTE 13 - CAPITALIZED LEASES – LESSEE DISCLOSURE

During fiscal year 2007, the School District entered into another capital lease for CAT equipment for \$400,000. During fiscal year 2005, the School District entered into capitalized leases for the acquisition of CAT equipment for \$400,000 and roof replacement \$600,000. The terms of the one agreement provides an option to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2007 totaled \$242,850 and interest payments of \$37,399.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - CAPITALIZED LEASES – LESSEE DISCLOSURE (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2008	\$311,580
2009	311,580
2010	229,754
2011	89,269
2012	<u>31,327</u>
Total	973,510
Less: Amount Representing Interest	<u>(70,078)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$903,432</u></u>

Fiscal Year Ending June 30,	<u>Capital Leases Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$277,735	\$33,845	\$311,580
2009	289,423	22,157	311,580
2010	219,754	10,000	229,754
2011	85,595	3,674	89,269
2012	<u>30,925</u>	<u>402</u>	<u>31,327</u>
Totals	<u><u>\$903,432</u></u>	<u><u>\$70,078</u></u>	<u><u>\$973,510</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - LONG-TERM LIABILITIES

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

	Obligation Outstanding <u>June 30, 2006</u>	Additions	Deletions	Obligation Outstanding <u>June 30, 2007</u>	Amounts Due in <u>One Year</u>
Governmental Activities					
Compensated Absences	\$498,791	\$284,187	\$258,361	\$524,617	\$154,722
Capital Leases Payable	<u>746,282</u>	<u>400,000</u>	<u>242,850</u>	<u>903,432</u>	<u>277,735</u>
 Total Governmental	 <u><u>\$1,245,073</u></u>	 <u><u>\$684,187</u></u>	 <u><u>\$501,211</u></u>	 <u><u>\$1,428,049</u></u>	 <u><u>\$432,457</u></u>

The School District's overall legal debt margin was \$348,915,509 with an energy conservation debt margin of \$34,891,551 and an unvoted debt margin of \$3,876,839 at June 30, 2007.

Compensated absences will be paid from the fund from which the person is paid which is typically the General Fund. Capital leases will be paid from the General fund, Adult Education and Carl Perkins special revenue funds.

NOTE 15 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2007, consist of the following individual receivables and payables and operating transfers in the governmental and proprietary fund balance sheets (such amounts are removed from consolidated columns in the statement of net assets):

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$251,658	\$0	\$0	\$950,871
Adult Education	0	19,991	124,866	0
Customer Service	0	225,383	0	0
Nonmajor Funds:				
Special Revenue	0	19,442	76,005	0
Capital Projects	<u>13,158</u>	<u>0</u>	<u>750,000</u>	<u>0</u>
Total All Funds	<u><u>\$268,416</u></u>	<u><u>\$264,816</u></u>	<u><u>\$950,871</u></u>	<u><u>\$950,871</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 15 - INTERFUND TRANSACTIONS (continued)

The interfund payables are expected to be repaid within one year. The School District is currently evaluating the user charges in adult education and customer service major funds to bring revenue generation in line with expenditures/expenses. The transfers are routine in nature with the majority of the money being transferred to the nonmajor permanent improvement capital projects fund for the School District's share of the roof replacement cost.

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and educational service centers within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The School District paid \$37,174 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

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

NOTE 17 - INSURANCE PURCHASING POOL

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 18 - STATUTORY RESERVES

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

	Textbooks	Capital Acquisition	Totals
Set-aside Carryover Balance as of June 30, 2006	(\$2,547,773)	\$0	(\$2,547,773)
Current Year Set-aside Requirement	110,785	110,785	221,570
Offsets	0	(750,000)	(750,000)
Qualifying Disbursements	(812,974)	(85,656)	(898,630)
Total	(3,249,962)	(724,871)	(\$3,974,833)
Set-aside Carryover Balance as of June 30, 2007	(\$3,249,962)	\$0	

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

NOTE 19 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

Litigation:

As of June 30, 2007, the School District did not have any pending litigation.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 20 – RESTATEMENT OF NET ASSETS

In the prior year, the School District did not recognize full value of the duplex building and associated land value that was constructed several years ago. This adjustment had the following impact on the School District’s beginning enterprise and proprietary net assets:

	<u>Business-Type Activities</u>
06/30/06 Net Assets	\$6,701
Recognition of Capital Assets	<u>174,148</u>
Restated 06/30/06 Net Assets	<u><u>\$180,849</u></u>

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Vocational School District, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above was not a material weakness.

We noted certain matters that we reported to the District's management in a separate letter dated March 12, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 12, 2008

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

FINDING NUMBER 2007-001

Significant Deficiency

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding certain objectives, including the reliability of financial reporting. The District did not record in the fiscal year 2007 financial statements certain transactions related to heavy equipment obtained through a capital lease in fiscal year 2007. The capital assets associated with this lease were recorded by the District; however the liability and governmental fund activity were not recorded. The resulting audit adjustment: increased the Adult Education Fund expenditures and total revues and other financing sources \$400,000; a 25% increase in both expenditures and total revenues and other financing sources of the Adult Education Fund; increased governmental activities total liabilities by 3.6%; and increase, and decreased in governmental activities total net assets by 3%.

Lack of effective oversight over the financial reporting process resulted in a material misstatement of the financial statements which if not detected could result in erroneous assumptions by financial statement users.

Procedures should be implemented for monitoring the results of the compilation and that it properly reflects the financial condition of the District. Procedures should include reviews by the governing body and comparisons of the current year information to prior year information to help identify problem areas. Supporting documentation for the compilation should also be reviewed to determine if it has been properly completed.

Officials' Response:

Management does enter into various lease obligations for various items related to the School District. In future years, the related disclosure and financial statement components related to various leases will be reviewed more thoroughly. All leases that are entered into during the year for any purchase will have a copy of the lease document maintained in a folder specifically created for use in the compilation of the year end financial report.



Mary Taylor, CPA
Auditor of State

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 27, 2008**