



**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT  
WARREN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT  
WARREN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund .....	7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Types .....	10
Combined Statement of Cash Flows - All Proprietary Fund Types .....	11
Notes to the General Purpose Financial Statements .....	13
Schedule of Federal Awards Expenditures .....	39
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	41
Report of Independent Accountants on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	43
Schedule of Findings .....	45
Schedule of Prior Audit Findings .....	47

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Warren County Vocational School District, Warren County Ohio (the District), as of and for the year ended June 30, 2001 as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types 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 December 14, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

December 14, 2001

**This page intentionally left blank.**

**This page intentionally left blank.**

Warren County Vocational School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<b>Assets and Other Debits:</b>			
Equity in Pooled Cash and Investments	\$2,574,089	\$155,710	\$373,546
Restricted Equity in Pooled Cash and Investments	30,312	0	0
<b>Receivables:</b>			
Taxes	5,736,157	0	0
Intergovernmental	7,003	12,218	0
Accounts	0	219	0
Accrued Interest	3,329	0	0
Interfund Receivable	744,467	0	13,158
Inventory	0	0	0
<b>Fixed Assets ( Net, where applicable, of</b>			
Accumulated Depreciation)	0	0	0
<b>Other Debits:</b>			
Amount to be Provided for Retirement of General			
Long-Term Obligations	0	0	0
<b>Total Assets &amp; Other Debits</b>	<u>\$9,095,357</u>	<u>\$168,147</u>	<u>\$386,704</u>
<b>Liabilities, Fund Equity &amp; Other Credits:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$7,075	\$11,470	\$0
Accrued Wages & Benefits	794,461	13,674	0
Compensated Absences Payable	46,240	4,859	0
Interfund Payable	0	49,809	0
Deferred Revenue	5,196,864	0	0
Undistributed Monies	0	0	0
Claims Payable	0	0	0
Capital Lease Obligations	0	0	0
<b>Total Liabilities</b>	<u>6,044,640</u>	<u>79,812</u>	<u>0</u>
<b>Fund Equity &amp; Other Credits:</b>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
<b>Retained Earnings:</b>			
Unreserved	0	0	0
<b>Fund Balance:</b>			
Reserved for Encumbrances	314,732	67,374	1,779
Reserved for Property Tax Advances	534,824	0	0
Reserved for Set-Asides	30,312	0	0
Unreserved & Undesignated	2,170,849	20,961	384,925
<b>Total Fund Equity (Deficit) &amp; Other Credits</b>	<u>3,050,717</u>	<u>88,335</u>	<u>386,704</u>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<u>\$9,095,357</u>	<u>\$168,147</u>	<u>\$386,704</u>

See accompanying notes.



<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$346,671	\$274,637	\$37,800	\$0	\$0	\$3,762,453
0	0	0	0	0	30,312
0	0	0	0	0	5,736,157
38,969	0	0	0	0	58,190
18,265	451	0	0	0	18,935
0	0	0	0	0	3,329
0	0	0	0	0	757,625
4,751	0	0	0	0	4,751
146,997	0	0	12,337,399	0	12,484,396
0	0	0	0	1,034,581	1,034,581
<u>\$555,653</u>	<u>\$275,088</u>	<u>\$37,800</u>	<u>\$12,337,399</u>	<u>\$1,034,581</u>	<u>\$23,890,729</u>
\$2,234	\$0	\$0	\$0	\$0	\$20,779
56,371	0	0	0	6,937	871,443
30,547	0	0	0	445,352	526,998
704,624	0	3,192	0	0	757,625
3,012	0	0	0	0	5,199,876
0	0	31,489	0	0	31,489
0	29,156	0	0	0	29,156
0	0	0	0	582,292	582,292
<u>796,788</u>	<u>29,156</u>	<u>34,681</u>	<u>0</u>	<u>1,034,581</u>	<u>8,019,658</u>
0	0	0	12,337,399	0	12,337,399
1,425	0	0	0	0	1,425
(242,560)	245,932	0	0	0	3,372
0	0	0	0	0	383,885
0	0	0	0	0	534,824
0	0	0	0	0	30,312
0	0	3,119	0	0	2,579,854
<u>(241,135)</u>	<u>245,932</u>	<u>3,119</u>	<u>12,337,399</u>	<u>0</u>	<u>15,871,071</u>
<u>\$555,653</u>	<u>\$275,088</u>	<u>\$37,800</u>	<u>\$12,337,399</u>	<u>\$1,034,581</u>	<u>\$23,890,729</u>

***(This Page Intentionally Left Blank)***

Warren County Vocational School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Year Ended June 30, 2001

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Revenues:</b>					
Taxes	\$5,199,785	\$0	\$0	\$0	\$5,199,785
Intergovernmental	3,490,226	670,212	22,983	0	4,183,421
Investment	217,493	0	20,997	0	238,490
Tuition & Fees	9,655	0	0	0	9,655
Miscellaneous	29,987	88,398	0	3,413	121,798
<b>Total Revenues</b>	<b>8,947,146</b>	<b>758,610</b>	<b>43,980</b>	<b>3,413</b>	<b>9,753,149</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	223,394	0	0	0	223,394
Special	54,608	0	0	0	54,608
Vocational	4,117,442	218,589	0	414	4,336,445
Other	260	135,615	0	0	135,875
<b>Support Services:</b>					
Pupils	1,030,940	70,197	0	0	1,101,137
Instructional Staff	273,628	134,473	0	380	408,481
Board of Education	63,148	0	0	0	63,148
Administration	519,384	19,442	0	0	538,826
Fiscal	404,535	9,731	0	0	414,266
Business	46,123	0	0	0	46,123
Operation & Maintenance of Plant	912,108	0	0	0	912,108
Pupil Transportation	42,732	155	55,100	0	97,987
Central	353,849	47,471	2,489	0	403,809
Operation of Non-Instructional Services	12,278	0	0	0	12,278
Extracurricular Activities	20,033	0	0	0	20,033
Capital Outlay	295,262	6,000	7,071	0	308,333
<b>Debt Service:</b>					
Principal Retirement	140,963	0	0	0	140,963
Interest & Fiscal Charges	35,259	0	0	0	35,259
<b>Total Expenditures</b>	<b>8,545,946</b>	<b>641,673</b>	<b>64,660</b>	<b>794</b>	<b>9,253,073</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>401,200</b>	<b>116,937</b>	<b>(20,680)</b>	<b>2,619</b>	<b>500,076</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	276	0	0	0	276
Operating Transfers In	446,943	0	0	500	447,443
Operating Transfers Out	(572,501)	0	0	0	(572,501)
<b>Total Other Financing Sources (Uses)</b>	<b>(125,282)</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>(124,782)</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>275,918</b>	<b>116,937</b>	<b>(20,680)</b>	<b>3,119</b>	<b>375,294</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,774,799</b>	<b>(28,602)</b>	<b>407,384</b>	<b>0</b>	<b>3,153,581</b>
<b>Fund Balance, End of Year</b>	<b>\$3,050,717</b>	<b>\$88,335</b>	<b>\$386,704</b>	<b>\$3,119</b>	<b>\$3,528,875</b>

See accompanying notes.

Warren County Vocational School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$5,037,565	\$5,037,565	\$0	\$0	\$0	\$0
Intergovernmental	3,491,953	3,491,953	0	657,994	657,994	0
Investment	215,361	215,361	0	0	0	0
Tuition & Fees	4,844	4,844	0	0	0	0
Miscellaneous	33,261	33,261	0	88,179	88,179	0
<b>Total Revenues</b>	<b>8,782,984</b>	<b>8,782,984</b>	<b>0</b>	<b>746,173</b>	<b>746,173</b>	<b>0</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	222,126	222,126	0	0	0	0
Special	52,424	52,424	0	0	0	0
Vocational	3,987,538	3,987,538	0	279,411	279,411	0
Other	300	300	0	148,005	148,005	0
<b>Support Services:</b>						
Pupils	1,000,836	1,000,836	0	72,020	72,020	0
Instructional Staff	261,648	261,648	0	146,916	146,918	(2)
Board of Education	140,214	140,214	0	0	0	0
Administration	687,062	687,062	0	17,439	17,439	0
Fiscal	399,196	399,196	0	9,731	9,731	0
Business	47,773	47,773	0	0	0	0
Operation & Maintenance of Plant	945,876	945,876	0	0	0	0
Pupil Transportation	94,695	94,695	0	155	155	0
Central	346,210	346,210	0	58,000	58,000	0
Operation of Non-Instructional Services	13,683	13,683	0	0	0	0
Extracurricular Activities	27,369	27,369	0	0	0	0
Capital Outlay	520,161	520,161	0	6,000	6,000	0
<b>Total Expenditures</b>	<b>8,747,111</b>	<b>8,747,111</b>	<b>0</b>	<b>737,677</b>	<b>737,679</b>	<b>(2)</b>
<b>Excess (Deficiency) of Revenues Over Under Expenditures</b>	<b>35,873</b>	<b>35,873</b>	<b>0</b>	<b>8,496</b>	<b>8,494</b>	<b>(2)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	275	275	0	0	0	0
Operating Transfers In	446,944	446,944	0	13,063	13,063	0
Operating Transfers Out	(572,501)	(572,501)	0	(13,063)	(13,063)	0
Advances In	916,692	916,692	0	416,739	416,739	0
Advances Out	(871,963)	(871,963)	0	(506,386)	(506,386)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(80,553)</b>	<b>(80,553)</b>	<b>0</b>	<b>(89,647)</b>	<b>(89,647)</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>(44,680)</b>	<b>(44,680)</b>	<b>0</b>	<b>(81,151)</b>	<b>(81,153)</b>	<b>(2)</b>
<b>Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)</b>	<b>2,333,813</b>	<b>2,333,813</b>	<b>0</b>	<b>158,155</b>	<b>158,155</b>	<b>0</b>
<b>Fund Balance, End of Year</b>	<b>\$2,289,133</b>	<b>\$2,289,133</b>	<b>\$0</b>	<b>\$77,004</b>	<b>\$77,002</b>	<b>(\$2)</b>

See accompanying notes.

Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$5,037,565	\$5,037,565	\$0
22,983	22,983	0	4,172,930	4,172,930	0
20,997	20,997	0	236,358	236,358	0
0	0	0	4,844	4,844	0
0	0	0	121,440	121,440	0
<b>43,980</b>	<b>43,980</b>	<b>0</b>	<b>9,573,137</b>	<b>9,573,137</b>	<b>0</b>
0	0	0	222,126	222,126	0
0	0	0	52,424	52,424	0
0	0	0	4,266,949	4,266,949	0
0	0	0	148,305	148,305	0
0	0	0	1,072,856	1,072,856	0
0	0	0	408,564	408,566	(2)
0	0	0	140,214	140,214	0
0	0	0	704,501	704,501	0
0	0	0	408,927	408,927	0
0	0	0	47,773	47,773	0
0	0	0	945,876	945,876	0
55,100	55,100	0	149,950	149,950	0
4,268	4,268	0	408,478	408,478	0
0	0	0	13,683	13,683	0
0	0	0	27,369	27,369	0
7,071	7,071	0	533,232	533,232	0
<b>66,439</b>	<b>66,439</b>	<b>0</b>	<b>9,551,227</b>	<b>9,551,229</b>	<b>(2)</b>
<b>(22,459)</b>	<b>(22,459)</b>	<b>0</b>	<b>21,910</b>	<b>21,908</b>	<b>(2)</b>
0	0	0	275	275	0
0	0	0	460,007	460,007	0
0	0	0	(585,564)	(585,564)	0
0	0	0	1,333,431	1,333,431	0
(13,158)	(13,158)	0	(1,391,507)	(1,391,507)	0
<b>(13,158)</b>	<b>(13,158)</b>	<b>0</b>	<b>(183,358)</b>	<b>(183,358)</b>	<b>0</b>
<b>(35,617)</b>	<b>(35,617)</b>	<b>0</b>	<b>(161,448)</b>	<b>(161,450)</b>	<b>(2)</b>
<b>407,386</b>	<b>407,386</b>	<b>0</b>	<b>2,899,354</b>	<b>2,899,354</b>	<b>0</b>
<b>\$371,769</b>	<b>\$371,769</b>	<b>\$0</b>	<b>\$2,737,906</b>	<b>\$2,737,904</b>	<b>(\$2)</b>

Warren County Vocational School District  
 Combined Statement of Revenues, Expenses  
 And Changes in Retained Earnings  
 All Proprietary Fund Types  
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<b>Operating Revenues:</b>			
Charges for Services	\$152,681	\$0	\$152,681
Tuition & Fees	722,778	0	722,778
Miscellaneous Revenue	438	451	889
<b>Total Operating Revenues</b>	<b>875,897</b>	<b>451</b>	<b>876,348</b>
<b>Operating Expenses:</b>			
Salaries	843,722	0	843,722
Fringe Benefits	178,921	0	178,921
Purchased Services	34,317	146,487	180,804
Materials & Supplies	320,500	0	320,500
Depreciation	12,338	0	12,338
Claims	0	435,330	435,330
Other Operating Expenses	3,462	0	3,462
<b>Total Operating Expenses</b>	<b>1,393,260</b>	<b>581,817</b>	<b>1,975,077</b>
<b>Operating Income (Loss)</b>	<b>(517,363)</b>	<b>(581,366)</b>	<b>(1,098,729)</b>
<b>Non-Operating Revenues (Expenses):</b>			
Investment Revenue	0	17,369	17,369
Miscellaneous Revenue	94,908	472,771	567,679
Donated Commodities	7,720	0	7,720
Operating Grants - State & Local	283,625	0	283,625
Operating Grants - Federal	16,641	0	16,641
<b>Total Non-Operating Revenues</b>	<b>402,894</b>	<b>490,140</b>	<b>893,034</b>
<b>Income (Loss) before Operating Transfers</b>	<b>(114,469)</b>	<b>(91,226)</b>	<b>(205,695)</b>
Operating Transfers In	143,822	0	143,822
Operating Transfers Out	(18,764)	0	(18,764)
<b>Net Income</b>	<b>10,589</b>	<b>(91,226)</b>	<b>(80,637)</b>
<b>Retained Earnings (Restated), Beginning of Year</b>	<b>(253,149)</b>	<b>337,158</b>	<b>84,009</b>
<b>Retained Earnings, End of Year</b>	<b>(\$242,560)</b>	<b>\$245,932</b>	<b>\$3,372</b>

See accompanying notes.

Warren County Vocational School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum only)
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Tuition & Fees	\$679,569	\$0	\$679,569
Cash Received from Charges for Services	196,574	0	196,574
Cash Payments for Personal Services	(1,015,488)	0	(1,015,488)
Cash Payments for Contract Services	(33,109)	(146,487)	(179,596)
Cash Payments for Supplies & Materials	(307,374)	0	(307,374)
Cash Payments for Other Expenses	(3,462)	(442,086)	(445,548)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(483,290)</b>	<b>(588,573)</b>	<b>(1,071,863)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash Received from Other Funds	190,694	0	190,694
Cash Received from Operating Grants	325,645	0	325,645
Other	91,290	479,309	570,599
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>607,629</b>	<b>479,309</b>	<b>1,086,938</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(11,926)	0	(11,926)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(11,926)</b>	<b>0</b>	<b>(11,926)</b>
<b>Cash Flows from Investing Activities:</b>			
Investment Earnings	0	17,369	17,369
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>0</b>	<b>17,369</b>	<b>17,369</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>112,413</b>	<b>(91,895)</b>	<b>20,518</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>234,258</b>	<b>366,532</b>	<b>600,790</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$346,671</b>	<b>\$274,637</b>	<b>\$621,308</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	(\$517,363)	(\$581,366)	(\$1,098,729)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	12,338	0	12,338
Donated Commodities Used	7,720	0	7,720
<b>Changes in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivables	246	(451)	(205)
(Increase) Decrease in Materials & Supplies Inventory	1,730	0	1,730
Increase (Decrease) in Accounts Payable	(9,459)	(238)	(9,697)
Increase (Decrease) in Accrued Wages & Benefits	8,298	0	8,298
Increase (Decrease) in Compensated Absences Payable	10,188	0	10,188
Increase (Decrease) in Claims Payable	0	(6,518)	(6,518)
Increase (Decrease) in Deferred Revenue	3,012	0	3,012
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(483,290)</b>	<b>(588,573)</b>	<b>(1,071,863)</b>

See accompanying notes.

***(This Page Intentionally Left Blank)***



# WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### 1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Warren County Vocational 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 92 certified and 35 classified staff members who serve approximately 725 secondary students and 4,114 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

The reporting entity consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Warren County Vocational 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 Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, and the Jewell Education Foundation. These organizations are discussed in Notes 17 and 18 to the general purpose financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Basis of Presentation – Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

#### Governmental Funds Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except for those accounted for in the proprietary funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds – Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Type:

Fiduciary funds are used for the assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed-assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the School District, except those accounted for in the proprietary funds.

**B. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

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. (See Note 6.) 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.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

### **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 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The School District has chosen to present the budgetary statements in the general purpose 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 budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts. Formal budgetary integration is employed as a management control device during the year for all funds, other than Agency Funds, consistent with statutory provisions.

### 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 statement 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.

## **D. Cash and Investments**

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 combined balance sheet.

During the current fiscal year, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold at year-end. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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 \$217,493.

For purpose of the combined statement of cash flows and for the presentation on the combined balance sheet, 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 of the Proprietary Funds are valued at lower of cost (first-in, first-out method) or market and are determined by physical count. Inventories of Proprietary Funds consist of donated food, purchased food and school supplies held for resale and are expensed when used.

**F. Fixed -Assets and Depreciation**

General Fixed Assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$200. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are capitalized and are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten years.

**G. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

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

Entitlements:

General Fund

- State Foundation Program
- State Property Tax Relief



Non-Reimbursement Grants:

Special Revenue Funds

Vocational Education  
Title VI  
Consumer Education Grant  
Professional Development Block Grant  
School-To-Work Grants  
Eisenhower Grant  
Carl D. Perkins  
Preschool  
Education Management Information System  
Career Development

Agency Funds:

Pell Grant

Reimbursable Grants:

General Fund

Vocational Education Equipment – Matching Funds  
Adult Basic Literacy Education

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately thirty-nine percent (39%) of all school District's operating revenue during the fiscal year.

**H. Interfund Assets/Liabilities**

Short-term interfund loans are classified as “interfund receivables” and interfund payables.”

**I. Compensated Absences**

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

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 20 years of current service with the

School District. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Capital leases payable are reported as a liability of the general long-term obligations account group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**L. Fund Balance Reserves**

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

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

### **M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 20 for calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

### **N. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1991, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary fund have been classified as retained earnings. Contributed resources is expensed and closed to unreserved retained earnings at year-end.

### **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. Total Columns on General-Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principals. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

### 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) – All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity – Budget and Actual (Budget Basis) – All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Reconciliation of Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing  
Uses From GAAP Basis to Budgetary Basis:**

<u>Governmental Fund Types</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
GAAP Basis	\$275,918	\$116,937	(\$20,680)
Net Adjustment for Revenue Accruals	752,570	417,365	0
Net Adjustment for Expenditure Accruals	(757,896)	(536,749)	(13,158)

Net Adjustments for Encumbrances	<u>(315,272)</u>	<u>(78,706)</u>	<u>(1,779)</u>
Budgetary Basis	<u>(\$44,680)</u>	<u>(\$81,153)</u>	<u>(\$35,617)</u>

#### 4. ACCOUNTABILITY

At June 30, 2001, the following had deficit fund balances/retained earnings:

Enterprise Funds	\$242,560
------------------	-----------

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

#### 5. EQUITY IN POOLED CASH AND INVESTMENT

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". State Statute requires the classification of monies held by the District into three categories:

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

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

Interim Monies - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

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

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

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

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

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

Deposits: At year-end the carrying amount of the District's deposits was \$1,059,113 and the bank balance of deposits was \$1,277,314. Of the bank balance, \$376,762 was covered by federal depository insurance, and \$400,000 was covered by pledged collateral. The remaining amounts were uninsured and uncollateralized as defined by GASB. Although the securities were held by the pledging financial institutions' trust department in the District's name and all statutory requirements for the investment of the money had been followed, noncompliance with the federal requirements would potentially subject the money held in the District's name to a successful claim by the FDIC.

Investments: The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end.

CATEGORY 1 includes investments that are issued, registered, or held by the District or its agent in the District's name.

CATEGORY 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the District's name.

CATEGORY 3 includes uninsured and unregistered investments held by the counterparty, or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>INVESTMENTS</u>	<u>RISK CATEGORY</u>	<u>CARRYING VALUE/ FAIR VALUE</u>
(1) State Treasury Pool (Star Ohio)	N/A	<u>2,733,651</u>
		<u>\$2,733,651</u>

(1) The District's investment in the State Treasury Pool is not categorized by risk because it is not evidenced by securities that exist in physical or book entry form.

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

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

## 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 2001 were based, are as follows:

	2000 Second- Half Collections		2001 First- Half Collection	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$1,715,962,770	84.20%	\$2,084,355,660	84.49%
Public Utility	132,386,095	6.50%	134,758,770	5.46%
Tangible Personal Property	<u>189,692,190</u>	<u>9.30%</u>	<u>247,847,680</u>	<u>10.05%</u>
Total Assessed Value	<u>\$2,038,041,055</u>	<u>100.00%</u>	<u>\$2,466,962,110</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$4.50		\$4.50	

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

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least one-half of amount billed) was due January 20, with the remainder due on June 20.



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 receives 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, 2001 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.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of the current year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

## 7. RECEIVABLES

Receivables at June 30, 2001, 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.

## 8. FIXED ASSETS

A summary of the General Fixed Assets Account Group at year-end follows:

<u>Class</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Land	\$ 657,000	\$ 473,054	\$ 0	\$ 1,130,054
Building and Improvements	7,254,036	486,213	1,210,270	6,529,979
Furniture, Fixtures And Equipment	<u>3,863,287</u>	<u>1,153,768</u>	<u>339,689</u>	<u>4,677,366</u>
Totals	<u>\$11,774,323</u>	<u>\$2,113,035</u>	<u>\$1,549,959</u>	<u>\$12,337,399</u>

A summary of the Proprietary Fund fixed assets at year-end follows:

	<u>Enterprise</u>
Equipment	\$ 288,521
Less Accumulated Depreciation	<u>(141,524)</u>
Net Fixed Assets	<u>\$ 146,997</u>

## 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 2001, the School District contracted with the Nationwide Mutual Insurance Company for general liability insurance with a \$ 1,000,000 single occurrence limit and a \$5,000,000 aggregate. Vehicles are covered under a business policy with Nationwide which carries a \$250 deductible and a \$1,000,000 limit on any accident.

The School District's property is protected by Utica National Insurance Company and holds a \$1,000 deductible.

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

For fiscal year 2001, 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 provides an option for medical/surgical benefits (PPO) through a self-insurance internal service fund, administered by Harrington Benefit Services. The School District pays into the self-insurance internal service fund \$385.46 for family coverage of \$191.43 for individual coverage per month, which represents one hundred percent of the premium required. The plan provides a medical/surgical plan with a \$100 single and \$200 family deductible and then 85% of the next \$2,000 is payable by the employer. The School District purchases stop-loss coverage of \$30,000 per individual claim.

Health, drug prescription, dental and vision insurance is offered to all eligible employees through the self-insurance internal service fund.

The claims liability of \$29,156 reported in the internal service fund at June 30, 2001 is based on an estimate provided by Harrington Benefit Services and the requirements of GASB Statement No. 10 “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,” which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of <u>Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance at <u>End of Year</u>
2000	\$35,250	\$328,687	\$328,263	\$35,674
2001	35,674	428,812	435,330	29,156

## **10. DEFINED BENEFIT PENSION PLANS**

### **A. School Employees Retirement System**

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%; A portion of the School District’s contribution is used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS’s Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District’s contributions to SERS for the years ending June 30, 2001, 2000, and 1999 were, \$162,278, \$55,344, and \$70,188 respectively; 97 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$5,668 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

## **B. State Teachers Retirement -System**

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 6% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2001, 2000 and 1999 were \$699,513, \$278,839, and \$227,522, respectively; 89 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$74,564 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

## **11. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the year ended June 30, 2001, the allocation will be 4.5% of the covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.149 billion at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Member retiring on or before August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for

health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45% percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the members' pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level of \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

## **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 225 days. Upon retirement, payment shall be made for accrued but unused sick days on the basis of 25% of member's actual accumulated sick leave days to a maximum of 56 days.

## **13. CAPITALIZED LEASES – LESSEE DISCLOSURE**

During fiscal year 2000, the School District entered into a capitalized lease for the acquisition of technology equipment. The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the General Purpose Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2001 totaled \$140,963 and interest payments of \$35,259.

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, 2001:

<u>Fiscal year Ending June 30,</u>	<u>General Long-Term Obligations</u>
2002	\$176,222
2003	176,222
2004	176,222
2005	<u>122,500</u>
Total Minimum Lease Payments	651,166
Less: Amount Representing Interest	<u>(68,874)</u>
Present Value of Minimum Lease Payments	<u><u>\$582,292</u></u>

#### 14. LONG-TERM DEBT

During the year ended June 30, 2001 the following changes occurred in the General Long-Term Obligations Account Group:

	<u>Balance Beginning of Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance End of Year</u>
Compensated Absences	\$ 445,644	\$ 0	(\$ 312)	\$ 445,352
Accrued Wages	3,525	3,412	0	6,937
Capital Leases	<u>723,255</u>	<u>0</u>	<u>140,963</u>	<u>582,292</u>
TOTAL	<u>\$1,172,444</u>	<u>\$ 3,412</u>	<u>\$ 141,275</u>	<u>\$1,034,581</u>

#### 15. INTERFUND TRANSACTIONS

As of fiscal year-end, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$744,467	\$ 0
Special Revenue	0	49,809
Capital Projects	13,158	0
Enterprise	0	704,624
Agency	<u>0</u>	<u>3,192</u>
Total All Funds	<u>\$757,625</u>	<u>\$757,625</u>

## 16. SEGMENT INFORMATION

Enterprise Funds - The District maintains four Enterprise Funds to account for the operations of Food Service, Uniform School Supply, Customer Service, and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the current year-end.

	<u>Food Services</u>	<u>Uniform School Supply</u>	<u>Adult Education</u>	<u>Customer Service</u>	<u>Total</u>
Operating Revenue	\$229,391	\$36,268	\$609,800	\$438	\$875,897
Operating Expenses Before Depreciation	835,364	51,817	394,804	98,937	1,380,922
Depreciation	8,509	0	2,551	1,278	12,338
Operating Income (Loss)	(614,482)	(15,549)	212,445	(99,777)	(517,363)
Operating Grants	1,621	0	298,645	0	300,266
Donated Commodities	7,720	0	0	0	7,720
Operating Transfers In	0	0	143,582	240	143,822
Operating Transfers Out	0	0	(18,764)	0	(18,764)
Net Income (Loss)	(681,479)	(18,249)	722,805	(12,488)	(10,589)
Net Working Capital	(715,687)	21,665	288,946	56,462	(348,614)
Property Plant & Equipment Additions	0	0	5,618	0	5,618
Property Plant & Equipment Deletions	0	0	(6,694)	(2,872)	(9,566)
Total Assets	164,414	21,665	312,644	56,930	555,653
Total Liability	772,622	0	23,698	468	796,788
Total Equity	(608,208)	21,665	288,946	56,462	(241,135)

## **17. JOINTLY GOVERNED ORGANIZATION**

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and educational service centers within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SOCA consists of the superintendent (or the superintendent's designee) from each member district. 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.

## **18. INSURANCE PURCHASING POOL**

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

## **19. CONTINGENCIES**

### **A. Grants:**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.



**B. Litigation:**

As of June 30, 2001, the School District did not have any pending litigation or potential liabilities that would have a material effect on the financial statements.

**20. 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.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, 7/1/00	(\$146,521)	\$0	\$128,659
Required Set Aside	192,104	192,104	0
Reduction in Requirement based on revised legislation	0	0	(98,347)
Offset Credits	0	0	0
Qualifying Expenditures	<u>(198,264)</u>	<u>(192,104)</u>	<u>0</u>
Balance, 6/30/01	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,312</u>
Carry forward to Future Years	<u>(\$152,681)</u>		<u>\$ 30,312</u>

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 textbook set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year. The total reserve balance for the three set-asides at the end of the fiscal year was \$30,312.

**21. PRIOR PERIOD ADJUSTMENT**

The beginning fixed asset balance and the beginning Retained Earnings of the food service enterprise fund have been adjusted for corrections to the fixed asset detail as follows:

	<u>Enterprise Fund</u>	<u>Enterprise Fund Fixed Assets</u>
Balance Previously Stated, June 30, 2000	(\$400,558)	\$ 0
Prior Period Adjustment	<u>147,409</u>	<u>163,283</u>
As Restated, July 1, 2000	<u>(\$253,149)</u>	<u>\$163,283</u>

## **22. CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting & Financial Reporting for Nonexchange Transaction." At June 30, 2001, there was no effect on fund balance as a result of implementing GASB 33.

## **23. SUBSEQUENT EVENTS**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 14, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration.

As of the dates of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	\$0	\$7,335	\$0	\$7,335
National School Lunch Program	LL-P1/P4-00/01	10.555	14,750	0	14,750	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>14,750</u>	<u>7,335</u>	<u>14,750</u>	<u>7,335</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
Pell Grant	None	84.063	16,451	0	16,451	0
<i>Passed Through Ohio Department of Education:</i>						
Adult Basic Education	AB-S1-01	84.002	139,132	0	140,512	0
Vocational Education Basic Grant	20-C1-00/01	84.048	168,207	0	168,207	0
Eisenhower Professional Development Grant	MS-S1-01	84.281	1,382	0	0	0
Innovative Education Program Strategy	C2-S1-00/01	84.298	2,820	0	2,820	0
Goals 2000 (High School to Work)	G2-S6-00	84.276	12,000	0	12,000	0
Jobs Reimbursement Program	JB-S1-97	93.561	0	0	1,814	0
Total U.S. Department of Education			<u>339,992</u>	<u>0</u>	<u>341,804</u>	<u>0</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b><u>\$354,742</u></b>	<b><u>\$7,335</u></b>	<b><u>\$356,554</u></b>	<b><u>\$7,335</u></b>

**Note (1) - SIGNIFICANT ACCOUNTING POLICIES**

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

**Note (2) - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the financial statements of the Warren County Vocational School District, Warren County, Ohio (the District ), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 14, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10483-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Warren County Vocational School District  
Warren County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 14, 2001.

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

**Jim Petro**  
Auditor of State

December 14, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Warren County Vocational School District, Warren County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Warren County Vocational School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

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

Warren County Vocational School District  
Warren County  
Report of Independent Accountants on Compliance With Requirements  
Applicable to Each Major Federal Program and Internal Control Over  
Compliance in Accordance With OMB Circular A-133  
Page 2

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

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

**Jim Petro**  
Auditor of State

December 14, 2001



**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133  
JUNE 30, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Vocational Education - Basic Grants to State CFDA# 48.048
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2001-10483-001**

**Insurance Claims Processing - (Internal Control, Reportable Condition)**

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

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

**3. FINDINGS FOR FEDERAL AWARDS**

None.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT  
WARREN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2001

<b>FINDING NUMBER</b>	<b>FINDING SUMMARY</b>	<b>FULLY CORRECTED</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</b>
2000-10483-001	Third party administrator SAS-70	NO	No corrective action taken. The District continued to use their current third party administrator. Reissued as Finding Number 2001-10483-001.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 10, 2002**