



**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
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.....	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types and Expendable Trust Fund	10
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – All Proprietary Fund Types.....	12
Combined Statement of Cash Flows – Proprietary Fund Types.....	14
Notes to the General Purpose Financial Statements	16
Schedule of Federal Awards Expenditures.....	43
Notes to the Schedule of Federal Awards Expenditures	44
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	45
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133	47
Schedule of Findings.....	49
Schedule of Prior Audit Findings.....	51

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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, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District'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 Warren County Vocational School District, Warren County, as of June 30, 2002, 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 November 25, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

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Jim Petro
Auditor of State

November 25, 2002

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Warren County Vocational School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,441,087	\$144,758	\$413,364
Receivables:			
Property Taxes	6,132,562	0	0
Accounts	11,459	871	0
Intergovernmental	0	72,800	0
Accrued Interest	25,451	0	0
Interfund	735,967	0	13,158
Prepaid Items	10,740	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	70,083	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	30,312	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
 <u>Other Debits:</u>			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$9,457,661	\$218,429	\$426,522

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$585,943	\$194,420	\$42,832	\$0	\$0	\$3,822,404
0	0	0	0	0	6,132,562
5,762	0	0	0	0	18,092
1,810	0	0	0	0	74,610
0	0	0	0	0	25,451
0	0	0	0	0	749,125
0	0	0	0	0	10,740
3,989	0	0	0	0	3,989
0	0	0	0	0	70,083
0	0	0	0	0	30,312
94,949	0	0	9,575,174	0	9,670,123
0	0	0	0	927,356	927,356
\$692,453	\$194,420	\$42,832	\$9,575,174	\$927,356	\$21,534,847

(continued)

Warren County Vocational School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Liabilities,</u>			
<u>Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$10,247	\$29,739	\$14,312
Accrued Wages and Benefits	708,560	9,823	0
Compensated Absences Payable	43,977	3,295	0
Interfund Payable	0	55,534	0
Intergovernmental Payable	68,881	3,895	0
Deferred Revenue	5,660,659	0	0
Undistributed Monies	0	0	0
Claims Payable	0	0	0
Capital Leases Payable	0	0	0
Total Liabilities	6,492,324	102,286	14,312
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved (Deficit)	0	0	0
Fund Balance:			
Reserved for Encumbrances	115,821	49,351	77,031
Reserved for Inventory	70,083	0	0
Reserved for Property Taxes	381,564	0	0
Reserved for Budget Stabilization	30,312	0	0
Unreserved:			
Undesignated	2,367,557	66,792	335,179
Total Fund Equity and Other Credits	2,965,337	116,143	412,210
Total Liabilities, Fund Equity and Other Credits	\$9,457,661	\$218,429	\$426,522

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$4,698	\$0	\$0	\$0	\$0	\$58,996
65,712	0	0	0	0	784,095
22,775	0	0	0	489,838	559,885
693,591	0	0	0	0	749,125
12,271	0	0	0	3,061	88,108
1,548	0	0	0	0	5,662,207
0	0	36,383	0	0	36,383
0	61,171	0	0	0	61,171
0	0	0	0	434,457	434,457
800,595	61,171	36,383	0	927,356	8,434,427
0	0	0	9,575,174	0	9,575,174
1,425	0	0	0	0	1,425
(109,567)	133,249	0	0	0	23,682
0	0	594	0	0	242,797
0	0	0	0	0	70,083
0	0	0	0	0	381,564
0	0	0	0	0	30,312
0	0	5,855	0	0	2,775,383
(108,142)	133,249	6,449	9,575,174	0	13,100,420
\$692,453	\$194,420	\$42,832	\$9,575,174	\$927,356	\$21,534,847

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Warren County Vocational School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<u>Revenues:</u>					
Property and Other Local Taxes	\$5,244,887	\$0	\$0	\$0	\$5,244,887
Intergovernmental	3,660,957	641,640	1,200	0	4,303,797
Interest	121,253	0	6,829	0	128,082
Charges for Services	64,711	0	0	0	64,711
Rent	8,330	0	0	0	8,330
Gifts and Donations	0	0	0	6,580	6,580
Miscellaneous	40,558	174,632	0	0	215,190
Total Revenues	9,140,696	816,272	8,029	6,580	9,971,577
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	178,122	0	0	0	178,122
Special	57,340	0	0	0	57,340
Vocational	4,372,753	277,826	655	2,149	4,653,383
Adult/Continuing	5,049	134,263	0	0	139,312
Support Services:					
Pupils	898,381	143,805	40,280	0	1,082,466
Instructional Staff	313,293	130,730	1,780	1,101	446,904
Board of Education	17,679	10,811	0	0	28,490
Administration	836,392	28,741	0	0	865,133
Fiscal	263,205	7,413	0	0	270,618
Business	50,497	0	0	0	50,497
Operation and Maintenance of Plant	835,464	0	43,593	0	879,057
Pupil Transportation	75,412	441	0	0	75,853
Central	379,268	54,434	5,212	0	438,914
Operation of Non -					
Instructional Services	14,399	0	0	0	14,399
Extracurricular Activities	20,092	0	0	0	20,092
Capital Outlay	484,262	0	19,404	0	503,666
Debt Service:					
Principal Retirement	147,835	0	0	0	147,835
Interest and Fiscal Charges	28,387	0	0	0	28,387
Total Expenditures	8,977,830	788,464	110,924	3,250	9,880,468
Excess of Revenues Over (Under) Expenditures	162,866	27,808	(102,895)	3,330	91,109
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Fixed Assets	250	0	0	0	250
Operating Transfers In	475,630	8,174	128,399	0	612,203
Operating Transfers Out	(794,209)	(8,174)	0	0	(802,383)
Total Other Financing Sources (Uses)	(318,329)	0	128,399	0	(189,930)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(155,463)	27,808	25,504	3,330	(98,821)
Fund Balances at Beginning of Year	3,050,717	88,335	386,706	3,119	3,528,877
Increase in Materials and Supplies Inventory	70,083	0	0	0	70,083
Fund Balances at End of Year	\$2,965,337	\$116,143	\$412,210	\$6,449	\$3,500,139

See accompanying notes to the general purpose financial statements

Warren County Vocational School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property and Other Local Taxes	\$5,308,465	\$5,307,346	(\$1,119)	\$0	\$0	\$0
Intergovernmental	3,662,363	3,667,960	5,597	656,972	616,755	(40,217)
Interest	100,000	99,131	(869)	0	0	0
Charges for Services	64,711	64,711	0	0	0	0
Rent	8,303	8,330	27	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	34,000	34,860	860	259,840	138,283	(121,557)
Total Revenues	9,177,842	9,182,338	4,496	916,812	755,038	(161,774)
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	203,021	173,728	29,293	0	0	0
Special	58,720	57,569	1,151	0	0	0
Vocational	4,706,596	4,456,879	249,717	315,627	305,916	9,711
Adult/Continuing	1,160	1,075	85	182,234	164,827	17,407
Support Services:						
Pupils	1,048,075	909,049	139,026	226,098	163,837	62,261
Instructional Staff	363,353	327,063	36,290	148,625	142,941	5,684
Board of Education	38,290	21,462	16,828	15,000	10,811	4,189
Administration	862,724	829,646	33,078	35,934	29,857	6,077
Fiscal	493,239	451,482	41,757	7,413	7,413	0
Business	49,915	49,304	611	0	0	0
Operation and Maintenance of Plant	944,343	867,259	77,084	0	0	0
Pupil Transportation	92,057	75,083	16,974	700	441	259
Central	389,747	377,379	12,368	55,517	54,402	1,115
Operation of Non-						
Instructional Services	18,830	15,659	3,171	0	0	0
Extracurricular Activities	34,716	20,182	14,534	0	0	0
Capital Outlay	514,246	497,785	16,461	0	0	0
Total Expenditures	9,819,032	9,130,604	688,428	987,148	880,445	106,703
Excess of Revenues Over (Under) Expenditures	(641,190)	51,734	692,924	(70,336)	(125,407)	(55,071)
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	0	250	250	0	0	0
Refund of Prior Years Receipts	0	0	0	(511)	(511)	0
Refund of Prior Years Expenditures	403	1,309	906	0	0	0
Advances In	323,500	345,074	21,574	157,774	157,774	0
Advances Out	(370,000)	(336,774)	33,226	(154,434)	(120,834)	33,600
Operating Transfers In	475,630	475,630	0	8,174	8,174	0
Operating Transfers Out	(803,029)	(794,209)	8,820	(8,174)	(8,174)	0
Total Other Financing Sources (Uses)	(373,496)	(308,720)	64,776	2,829	36,429	33,600
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,014,686)	(256,986)	757,700	(67,507)	(88,978)	(21,471)
Fund Balances at Beginning of Year	2,289,131	2,289,131	0	77,003	77,003	0
Prior Year Encumbrances Appropriated	315,272	315,272	0	78,706	78,706	0
Fund Balances at End of Year	\$1,589,717	\$2,347,417	\$757,700	\$88,202	\$66,731	(\$21,471)

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
1,200	1,200	0	0	0	0
6,800	6,829	29	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	6,580	6,580	0
0	0	0	0	0	0
8,000	8,029	29	6,580	6,580	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,764	2,413	351
2,033	655	1,378	0	0	0
44,800	40,280	4,520	0	0	0
9,747	1,780	7,967	1,431	1,431	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
61,600	61,501	99	0	0	0
54,400	54,344	56	0	0	0
8,714	5,212	3,502	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
23,200	22,404	796	0	0	0
204,494	186,176	18,318	4,195	3,844	351
(196,494)	(178,147)	18,347	2,385	2,736	351
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	128,399	128,399	0	0	0
0	0	0	0	0	0
0	128,399	128,399	0	0	0
(196,494)	(49,748)	146,746	2,385	2,736	351
371,769	371,769	0	2,856	2,856	0
1,779	1,779	0	264	264	0
\$177,054	\$323,800	\$146,746	\$5,505	\$5,856	\$351

Warren County Vocational School District
 Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<u>Operating Revenues:</u>			
Charges for Services	\$114,764	\$575,295	\$690,059
Tuition and Fees	1,052,732	0	1,052,732
Sales	173,798	0	173,798
Other	54,864	599	55,463
	<hr style="border-top: 1px dashed black;"/>		
Total Operating Revenues	1,396,158	575,894	1,972,052
<u>Operating Expenses:</u>			
Salaries	891,020	0	891,020
Fringe Benefits	244,574	0	244,574
Purchased Services	116,062	202,730	318,792
Materials and Supplies	349,315	0	349,315
Cost of Sales	85,319	0	85,319
Depreciation	34,475	0	34,475
Claims	0	489,768	489,768
Other	17,789	1,297	19,086
	<hr style="border-top: 1px dashed black;"/>		
Total Operating Expenses	1,738,554	693,795	2,432,349
	<hr style="border-top: 1px dashed black;"/>		
Operating Loss	(342,396)	(117,901)	(460,297)
<u>Non-Operating Revenues:</u>			
Federal Donated Commodities	3,760	0	3,760
Federal and State Subsidies	341,018	0	341,018
Interest	0	5,218	5,218
	<hr style="border-top: 1px dashed black;"/>		
Total Non-Operating Revenues	344,778	5,218	349,996
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Income (Loss) Before Operating Transfers	2,382	(112,683)	(110,301)
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Operating Transfers In	265,520	0	265,520
Operating Transfers Out	(75,340)	0	(75,340)
	<hr style="border-top: 1px dashed black;"/>		
Net Income (Loss)	192,562	(112,683)	79,879
	<hr style="border-top: 1px dashed black;"/>		
Retained Earnings/Fund Balance at Beginning of Year - (See Note 20)	(302,129)	245,932	(56,197)
Contributed Capital at Beginning and End of Year	1,425	0	1,425
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Total Fund Equity (Deficit) at End of Year	(\$108,142)	\$133,249	\$25,107

See accompanying notes to the general purpose financial statements

Warren County Vocational School District
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	Enterprise Funds			Internal Service Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Sales	\$212,000	\$215,771	\$3,771	\$0	\$0	\$0
Tuition	1,061,052	1,067,994	6,942	0	0	0
Charges for Services	108,763	109,095	332	576,099	575,746	(353)
Federal and State Subsidies	338,595	339,208	613	0	0	0
Interest	0	0	0	5,000	5,218	218
Other	54,700	54,771	71	590	599	9
Total Operating Revenues	1,775,110	1,786,839	11,729	581,689	581,563	(126)
<u>Expenses:</u>						
Salaries	968,192	918,675	49,517	0	0	0
Fringe Benefits	215,452	203,124	12,328	0	0	0
Purchased Services	163,831	155,352	8,479	208,044	202,730	5,314
Materials and Supplies	517,674	443,852	73,822	0	0	0
Capital Outlay	72,895	65,473	7,422	0	0	0
Other	18,110	17,789	321	461,600	459,050	2,550
Total Operating Expenses	1,956,154	1,804,265	151,889	669,644	661,780	7,864
Excess of Revenues Over (Under) Expenses before Transfers and Advances	(181,044)	(17,426)	163,618	(87,955)	(80,217)	7,738
Advances In	145,300	145,300	0	0	0	0
Advances Out	(190,740)	(190,740)	0	0	0	0
Operating Transfers In	265,340	265,520	180	0	0	0
Operating Transfers Out	(75,340)	(75,340)	0	0	0	0
Excess of Revenues Over (Under) Expenses and Operating Transfers and Advances	(36,484)	127,314	163,798	(87,955)	(80,217)	7,738
Fund Equity at Beginning of Year	310,607	310,607	0	274,639	274,639	0
Prior Year Encumbrances Appropriated	36,067	36,067	0	0	0	0
Fund Equity at End of Year	\$310,190	\$473,988	\$163,798	\$186,684	\$194,422	\$7,738

See accompanying notes to the general purpose financial statements

Warren County Vocational School District
 Combined Statement of Cash Flows
 Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$324,865	\$0	\$324,865
Cash Received from Tuition Payments	1,067,994	0	1,067,994
Transactions with Other Funds	0	575,746	575,746
Cash Payments to Suppliers for Goods and Services	(545,129)	0	(545,129)
Cash Payments to Employees for Services	(918,673)	(202,730)	(1,121,403)
Cash Payments for Employee Benefits	(203,124)	0	(203,124)
Cash Payments for Other Operating Expenses	(17,789)	(459,050)	(476,839)
Cash Received from Other Operating Revenues	54,770	599	55,369
<i>Net Cash Used for Operating Activities</i>	(237,086)	(85,435)	(322,521)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Federal and State Subsidies	339,207	0	339,207
Short Term Loan (Repayment)	(45,440)	0	(45,440)
Operating Transfers In	265,520	0	265,520
Operating Transfers Out	(75,340)	0	(75,340)
<i>Net Cash Provided by Noncapital Financing Activities</i>	483,947	0	483,947
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(7,590)	0	(7,590)
<i>Net Cash Used For Capital and Related Financing Activities</i>	(7,590)	0	(7,590)
<u>Cash Flows from Investing Activities:</u>			
Interest	0	5,218	5,218
<i>Net Cash Provided by Investing Activities</i>	0	5,218	5,218
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	239,271	(80,217)	159,054
<i>Cash and Cash Equivalents at Beginning of Year</i>	346,672	274,637	621,309
<i>Cash and Cash Equivalents at End of Year</i>	\$585,943	\$194,420	\$780,363

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Warren County Vocational School District
 Combined Statement of Cash Flows
 Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>			
Operating Loss	(\$342,396)	(\$117,901)	(\$460,297)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>			
Depreciation	34,475	0	34,475
Donated Commodities Used During Year	3,760	0	3,760
<u>Changes in Assets and Liabilities:</u>			
Decrease in Accounts Receivable	12,503	451	12,954
Decrease in Inventory Held for Resale	(702)	0	(702)
Decrease in Intergovernmental Receivable	38,969	0	38,969
Increase in Accounts Payable	2,464	0	2,464
Increase in Accrued Wages and Benefits	9,341	0	9,341
Decrease in Compensated Absences Payable	(7,771)	0	(7,771)
Increase in Claims Payable	0	32,015	32,015
Increase in Intergovernmental Payable	12,271	0	12,271
<i>Total Adjustments</i>	105,310	32,466	137,776
<i>Net Cash Used for Operating Activities</i>	(\$237,086)	(\$85,435)	(\$322,521)

See accompanying notes to the general purpose financial statements

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The School District employs 102 certified and 30 classified staff members who serve approximately 981 secondary students and 7,167 adult students. A vocational school exposes high school and adult students to academic preparation and job training which leads to employment and/or further education upon graduation from high school.

Reporting Entity

A reporting entity consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, adult education, preschool and student related activities of the School District.

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

The School District is associated with three organizations, two jointly governed organizations and one insurance purchasing pool. These organizations are the Southwest Ohio Computer Association, the Jewell Education Foundation, and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. These organizations are discussed in Notes 17 and 18 to the general purpose financial statements.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

C. 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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does 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:

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met and 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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2002.

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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit, which 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 \$121,253, with \$39,668 assigned from other funds. The permanent improvement capital projects fund and internal service fund also received interest of \$6,829 and \$5,218, respectively.

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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$1,000. 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 as 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 five to fifteen years.

G. Interfund Assets/Liabilities

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

H. Compensated Absences

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. 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.

J. 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.

K. 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, inventory, property taxes, and budget stabilization.

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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 19 for calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

M. 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 required 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.

N. 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.

O. Total Columns on General-Purpose Financial Statements

Total columns on the general purpose financial statements are captioned ("Totals 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 principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

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).
5. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions. (GAAP basis).

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

3. BUDGETARY BASIS OF ACCOUNTING (continued)

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

Excess of Revenues Over (Under) Expenditures
Governmental Fund Types and Expendable Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$155,463)	\$27,808	\$25,504	\$3,330
Adjustments:				
Revenue Accrual	42,951	(61,234)	0	0
Expenditure Accrual	(28,790)	(14,468)	14,312	(594)
Encumbrances	(123,984)	(78,024)	(89,564)	0
Advances	8,300	36,940	0	0
Budget Basis	<u><u>(\$256,986)</u></u>	<u><u>(\$88,978)</u></u>	<u><u>(\$49,748)</u></u>	<u><u>\$2,736</u></u>

Net Income (Loss)/Excess of Revenues Over (Under) Expenses
Proprietary Fund Types

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$192,562	(\$112,683)
Adjustments:		
Revenue Accruals	45,903	451
Expense Accruals	18,660	32,015
Depreciation Expense	34,475	0
Inventory Held for Resale	702	0
Capital Outlay	(7,590)	0
Advances	(45,440)	0
Encumbrances	<u>(111,958)</u>	<u>0</u>
Budget Basis	<u><u>\$127,314</u></u>	<u><u>(\$80,217)</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

4. ACCOUNTABILITY

At June 30, 2002 the following fund had deficit fund retained earnings:

Enterprise Fund

Food Service Fund \$677,782

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

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;

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

5. EQUITY IN POOLED CASH AND INVESTMENT (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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);
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies; and,
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."

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

5. EQUITY IN POOLED CASH AND INVESTMENT (continued)

Deposits: At year-end the carrying amount of the District's deposits was \$3,852,716 and the bank balance of deposits was \$4,157,526. Of the bank balance, \$380,732 was covered by federal depository insurance, and the remaining \$1,025,000 was covered by a pool of collateral securities. 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.

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 2002 were based, are as follows:

	2002 First- Half Collections		2002 Second- Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,084,355,660	84.49%	\$2,213,418,340	86.62%
Public Utility Personal	134,758,770	5.46	95,853,290	3.75
Tangible Personal Property	247,847,680	10.05	246,148,025	9.63
Total Assessed Value	<u>\$2,466,962,110</u>	<u>100.00%</u>	<u>\$2,555,419,655</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.50		\$4.50	

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

6. PROPERTY TAXES (continued)

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 received property taxes from the County Auditor. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002 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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

7. RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (tuition and student fees), interfund, intergovernmental (grants and rentals), charges for services, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Special Revenue Funds:	
Other Local Grants	\$35,697
Adult Basic and Literacy	12,020
Eisenhower Grant	323
Vocational Education	<u>24,760</u>
Total Special Revenue Funds	<u>72,800</u>
Lunchroom Enterprise Fund	
Federal Donated Commodities	<u>1,810</u>
Total	<u><u>\$74,610</u></u>

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Equipment	\$259,610
Less accumulated depreciation	<u>(164,661)</u>
Net Fixed Assets	<u><u>\$ 94,949</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	Restated			<u>Balance at June 30, 2002</u>
	<u>Balance at July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	
Land	\$347,366	\$126,000	\$0	\$473,366
Building and Improvements	6,214,730	0	0	6,214,730
Furniture and Equipment	<u>2,428,241</u>	<u>458,837</u>	<u>0</u>	<u>2,887,078</u>
Totals	<u><u>\$8,990,337</u></u>	<u><u>\$584,837</u></u>	<u><u>\$0</u></u>	<u><u>\$9,575,174</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

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 2002, 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 the 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 2002, 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 from July 2001 through February 2002 and by Custom Design Benefits from February 2002 through the present. The School District pays into the self-insurance internal service fund \$369.45 for family coverage or \$139.41 for individual coverage per month, which represents ninety-five 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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2002

9. RISK MANAGEMENT (continued)

The claims liability of \$61,171 reported in the internal service fund at June 30, 2002 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:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2001	\$35,674	\$428,812	\$435,330	\$29,156
2002	29,156	521,783	489,768	61,171

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, 2002, 2001, and 2000 were, \$68,453, \$162,278, and \$55,344 respectively; 93 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$4,988 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

10. DEFINED BENEFIT PENSION PLANS (continued)

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, 2002, 2001, and 2000 were \$532,702, \$699,513, and \$278,839 respectively; 96 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$19,098 represents the unpaid contribution for fiscal year 2002 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% of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$252,333 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3,256 billion. At June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,000 eligible benefit recipients.

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

11. POSTEMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$110,128.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has 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 240 days. Upon retirement, payment shall be made for accrued but unused sick days on the basis of 25 percent of member's actual accumulated sick leave days to a maximum of 56 days.

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 governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2002 totaled \$147,835 and interest payments of \$28,387.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

13. CAPITALIZED LEASES – LESSEE DISCLOSURE (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002:

<u>Fiscal Year Ending June 30,</u>	<u>GLTOAG</u>
2003	\$176,222
2004	176,222
2005	<u>122,500</u>
Total	474,944
Less: Amount Representing Interest	<u>(40,487)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$434,457</u></u>

14. LONG-TERM DEBT

During the year ended June 30, 2002 the following changes occurred in the General Long-Term Obligations Account Group:

	<u>Amount at June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount at June 30, 2002</u>
<u>General Long-Term</u>				
Compensated Absences	\$445,352	\$44,486	\$0	\$489,838
Intergovernmental Payable	6,937	3,061	6,937	3,061
Capital Leases Payable	<u>582,292</u>	<u>0</u>	<u>147,835</u>	<u>434,457</u>
Total General				
Long-term Obligations	<u>1,034,581</u>	<u>47,547</u>	<u>154,772</u>	<u>927,356</u>
<u>Proprietary</u>				
Compensated Absences	<u>0</u>	<u>17,500</u>	<u>0</u>	<u>17,500</u>
Total All Funds	<u><u>\$1,034,581</u></u>	<u><u>\$65,047</u></u>	<u><u>\$154,772</u></u>	<u><u>\$944,856</u></u>

The School District's overall legal debt margin was \$229,987,769 with an energy conservation debt margin of \$22,998,777 and an unvoted debt margin of \$2,555,420 at June 30, 2002.

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents the contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. Capital leases will be paid from the General fund.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

15. INTERFUND TRANSACTIONS

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$735,967	\$0
Special Revenue Funds:		
Other Grants	0	48,000
Adult Basic & Literacy	0	4,020
Eisenhower Grant	0	154
Vocational Education	0	3,360
Total Special Revenue	<u>0</u>	<u>55,534</u>
Capital Projects Fund:		
Permanent Improvement	<u>13,158</u>	<u>0</u>
Enterprise Fund:		
Food Service	<u>0</u>	<u>693,591</u>
Total All Funds	<u><u>\$749,125</u></u>	<u><u>\$749,125</u></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 Service</u>	<u>Uniform School Supplies</u>	<u>Customer Service</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$101,871	\$71,927	\$114,764	\$1,107,596	\$1,396,158
Depreciation	277	0	79	34,119	34,475
Operating Income (Loss)	(107,623)	12,476	2,906	(250,155)	(342,396)
Donated Commodities	3,760	0	0	0	3,760
Federal and State Subsidies	23,468	0	0	317,550	341,018
Operating Transfers	46,000	0	9,000	135,180	190,180
Net Income (Loss)	(34,395)	12,476	11,906	202,575	192,562
Capital Acquisitions	0	0	3,102	4,488	7,590
Net Working Capital	(677,572)	34,142	66,606	478,624	(98,200)
Total Assets	32,785	34,142	70,021	555,505	692,453
Long term Obligations:					
Compensated Absences	2,338	0	0	15,162	17,500
Total Equity	(677,782)	34,142	67,929	467,569	(108,142)
Encumbrances June 30, 2002	0	2,993	16,796	92,169	111,958

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

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 SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The School District paid \$17,979 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

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

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.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

19. 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>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Carryover Balance as of June 30, 2001	(\$152,681)	\$0	\$30,312	(\$122,369)
Current Year Set-aside Requirement	72,846	72,846	0	145,692
Qualifying Disbursements	(471,002)	(661,711)	0	(1,132,713)
Total	<u>(550,837)</u>	<u>(588,865)</u>	<u>30,312</u>	
Set-aside Carryover Balance as of June 30, 2002	<u>(\$550,837)</u>	<u>\$0</u>	<u>\$30,312</u>	
Total Restricted Assets				<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 textbooks set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year. The total reserve balance for the three set-asides at the end of the fiscal year was \$30,312.

20. CHANGE IN ACCOUNTING ESTIMATE

The School District had a reappraisal of the assets of the School District during the fiscal year. The District changed their capitalization at the appraisal from \$200 to \$1,000. The following is the effect of the enterprise fund's retained earnings and the general fixed asset account group at June 30, 2001:

	<u>Enterprise</u>	<u>General Fixed Asset Group</u>
Fund Balances at June 30, 2001	(\$241,135)	\$12,337,399
Change in Accounting Estimate	(60,994)	(3,347,062)
Restated Fund Balances at June 30, 2001	<u>(\$302,129)</u>	<u>\$8,990,337</u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2002

21. STATE SCHOOL FUNDING DECISION

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 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 based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision charging 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. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now in reconsideration by the Court.

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

22. CONTINGENCIES

Grants:

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

Litigation:

As of June 30, 2002, the School District did not have any pending litigation or potential liabilities that would have a material effect on the financial statements.

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**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	0	5,309	0	5,309
National School Lunch Program	LL-P1-01 LL-P4-01/02	10.555	1,255 19,621	0 0	1,255 19,621	0 0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>20,876</u>	<u>5,309</u>	<u>20,876</u>	<u>5,309</u>
U.S. DEPARTMENT OF EDUCATION						
Pell Grant	None	84.063	36,665	0	33,187	0
<i>Passed Through Ohio Department of Education:</i>						
Adult Basic Literacy Grant	AB-S1-01/02	84.002	134,990	0	152,749	0
Vocational Education Basic Grant	20-A0-01 20-C1-01/02	84.048	17,000 197,970	0 0	19,245 197,970	0 0
Eisenhower	MS-S1-02	84.281	1,520	0	250	0
Title VI	C2-S1-01/02	84.298	<u>5,757</u>	<u>0</u>	<u>5,757</u>	<u>0</u>
Total U.S. Department of Education			<u>393,902</u>	<u>0</u>	<u>409,158</u>	<u>0</u>
U.S. DEPARTMENT OF LABOR						
<i>Passed through the Great Oaks Institute & Career Development</i>						
High Schools That Work Grant	None	17.249	15,000	0	10,811	0
<i>Passed Through Warren County:</i>						
Workforce Investment Act	None	17.255	<u>83,635</u>	<u>0</u>	<u>110,755</u>	<u>0</u>
Total U.S. Department of Labor			<u>98,635</u>	<u>0</u>	<u>121,566</u>	<u>0</u>
TOTAL FEDERAL ASSISTANCE			<u>513,413</u>	<u>5,309</u>	<u>551,600</u>	<u>5,309</u>

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A - 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 B - 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, 2002, the District had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**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, 2002, and have issued our report thereon dated November 25, 2002. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10483-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10483-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions 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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

November 25, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**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 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, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

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.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

November 25, 2002

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Adult Education - State Grant Program CFDA # 84.002
(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 2002-10483-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code, Section 9.03(C), states that no public body shall use public funds to publish, distribute or otherwise communicate anything that supports or opposes the election of a candidate. Also, Vocational School Districts are creatures of statute and only exercise such authority as is granted by state law. No state law gives a public school system authority to pay for political party dues or memberships.

The Warren County Vocational School District made a payment for \$2,000 to the Republican Senatorial Inner Circle for the membership renewal of the Superintendent, Dr. Vincent Roessner. The Republican Senatorial Inner Circle membership is reserved for men and women nominated by the Inner Circle Leadership Committee and past or present Republican members of the United States Senate. Members of the Inner Circle provide a substantial share of the financial support used to assist Republican Senate incumbents and challengers.

When informed of these facts, the Superintendent repaid this amount to the General Fund.

FINDING NUMBER 2002-10483-002

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.

3. FINDINGS FOR FEDERAL AWARDS

None.

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10483-001	Third Party Administrator SAS-70	No	The District switched to a new third party administrator who also did not have a SAS 70. Reissued as Finding 2002-10483-002.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
DECEMBER 23, 2002**