

Scioto County Joint Vocational School District
A Component Unit of the South Central Ohio Educational Service Center
Scioto County
Single Audit
July 1, 2002 Through June 30, 2003
Fiscal Year Audited Under GAGAS: 2003

BALESTRA, HARR & SCHERER, CPAS, INC.
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**Auditor of State
Betty Montgomery**

Board of Education
Scioto County Joint Vocational School District
P.O. Box 766
Lucasville, Ohio 45648

We have reviewed the Independent Auditor's Report of the Scioto County Joint Vocational School District, Scioto County, prepared by Balestra, Harr & Scherer, CPA's, Inc., for the audit period July 1, 2001 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Scioto County Joint Vocational School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 11, 2003

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SCIOTO COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
SCIOTO COUNTY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Scioto County Joint Vocational School District
P.O. Box 766
Lucasville, Ohio 45648

We have audited the accompanying general-purpose financial statements of the Scioto County Joint Vocational School District, a component unit of South Central Ohio Educational Service Center, as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Scioto County Joint Vocational School 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 general-purpose 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 the 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 Scioto County Joint Vocational School District, as of June 30, 2003, and the results of its operations and cash flows of its proprietary fund type 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 October 13, 2003, on our consideration of the Scioto County Joint Vocational School 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.

The accompanying schedule of federal awards expenditures is presented for purposes of 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. Such information has been subjected 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.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

October 13, 2003

Scioto County Joint Vocational School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,024,736	\$393,766	\$1,260,739
Receivables:			
Taxes	2,139,584	0	663,571
Accounts	60,105	0	0
Intergovernmental	68,640	4,364,279	0
Interfund	16,180	0	0
Prepaid Items	21,328	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	10,280	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	338,433	0	0
Fixed Assets (net of Accumulated Depreciation where applicable)	0	0	0
<u>Other Debits:</u>			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	<u>\$5,679,286</u>	<u>\$4,758,045</u>	<u>\$1,924,310</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$323,157	\$18,146	\$0	\$0	\$5,020,544
0	0	0	0	2,803,155
252,732	0	0	0	312,837
0	0	0	0	4,432,919
0	0	0	0	16,180
0	0	0	0	21,328
4,979	0	0	0	4,979
950	0	0	0	11,230
0	0	0	0	338,433
170,662	0	7,592,776	0	7,763,438
0	0	0	646,245	646,245
<u>\$752,480</u>	<u>\$18,146</u>	<u>\$7,592,776</u>	<u>\$646,245</u>	<u>\$21,371,288</u>

(continued)

Scioto County Joint Vocational School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$21,970	\$69,980	\$2,544
Accrued Wages and Benefits	369,785	24,117	0
Compensated Absences Payable	14,047	0	0
Interfund Payable	0	16,180	0
Intergovernmental Payable	73,970	6,411	0
Deferred Revenue	1,696,356	4,329,279	591,904
Undistributed Monies	0	0	0
Notes Payable	0	0	560,000
Capital Leases Payable	0	0	0
Energy Conservation Loan Payable	0	0	0
Total Liabilities	2,176,128	4,445,967	1,154,448
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	3,685	80,743	4,500
Reserved for Inventory	10,280	0	0
Reserved for Prepaid Items	21,328	0	0
Reserved for Property Taxes	85,438	0	30,963
Reserved for Capital Improvements	338,433	0	0
Unreserved:			
Undesignated	3,043,994	231,335	734,399
Total Fund Equity and Other Credits	3,503,158	312,078	769,862
Total Liabilities, Fund Equity and Other Credits	\$5,679,286	\$4,758,045	\$1,924,310

See Accompanying Notes to the General-Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$42,154	\$0	\$0	\$0	\$136,648
35,429	0	0	0	429,331
115,965	0	0	403,505	533,517
0	0	0	0	16,180
37,313	0	0	69,240	186,934
2,738	0	0	0	6,620,277
0	18,146	0	0	18,146
0	0	0	0	560,000
0	0	0	43,500	43,500
0	0	0	130,000	130,000
<u>233,599</u>	<u>18,146</u>	<u>0</u>	<u>646,245</u>	<u>8,674,533</u>
0	0	7,592,776	0	7,592,776
518,881	0	0	0	518,881
0	0	0	0	88,928
0	0	0	0	10,280
0	0	0	0	21,328
0	0	0	0	116,401
0	0	0	0	338,433
0	0	0	0	4,009,728
<u>518,881</u>	<u>0</u>	<u>7,592,776</u>	<u>0</u>	<u>12,696,755</u>
<u>\$752,480</u>	<u>\$18,146</u>	<u>\$7,592,776</u>	<u>\$646,245</u>	<u>\$21,371,288</u>

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Scioto County Joint Vocational School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Taxes	\$1,642,845	\$0	\$0	\$498,555	\$2,141,400
Intergovernmental	3,416,011	5,998,549	0	75,433	9,489,993
Interest	53,672	0	0	0	53,672
Tuition and Fees	62,509	0	0	0	62,509
Extracurricular Activities	11,483	0	0	0	11,483
Customer Services	491,757	0	0	0	491,757
Miscellaneous	73,889	14,917	0	0	88,806
Total Revenues	5,752,166	6,013,466	0	573,988	12,339,620
<u>Expenditures:</u>					
Current:					
Instruction:					
Special	51,031	0	0	0	51,031
Vocational	2,588,068	496,991	0	975	3,086,034
Other	422	0	0	0	422
Support Services:					
Pupils	459,978	5,799,113	0	0	6,259,091
Instructional Staff	230,942	44,211	0	13,175	288,328
Board of Education	7,493	0	0	0	7,493
Administration	561,158	18,267	0	0	579,425
Fiscal	211,508	43,236	0	93,426	348,170
Business	2,602	0	0	0	2,602
Operation and Maintenance of Plant	784,198	30,057	0	56,304	870,559
Central	119,634	108,140	0	0	227,774
Extracurricular Activities	47,368	15,227	0	0	62,595
Capital Outlay	42,216	0	0	0	42,216
Debt Service:					
Principal Retirement	12,557	0	130,000	0	142,557
Interest and Fiscal Charges	1,693	0	12,090	38,913	52,696
Total Expenditures	5,120,868	6,555,242	142,090	202,793	12,020,993
Excess of Revenues Over (Under) Expenditures	631,298	(541,776)	(142,090)	371,195	318,627
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	0	14,667	142,090	0	156,757
Inception of Capital Lease	43,500	0	0	0	43,500
Operating Transfers Out	(99,661)	0	0	(142,090)	(241,751)
Total Other Financing Sources (Uses)	(56,161)	14,667	142,090	(142,090)	(41,494)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	575,137	(527,109)	0	229,105	277,133
Increase in Inventory	3,721	0	0	0	3,721
Fund Balances at July 1, 2002	2,924,300	839,187	0	540,757	4,304,244
Fund Balances at June 30, 2003	\$3,503,158	\$312,078	\$0	\$769,862	\$4,585,098

See Accompanying Notes to the General-Purpose Financial Statements

Scioto County Joint Vocational School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Intergovernmental	\$3,347,371	\$3,347,371	\$0	\$6,830,380	\$6,830,380	\$0
Interest	53,672	53,672	0	0	0	0
Tuition and Fees	53,272	53,272	0	0	0	0
Extracurricular Activities	11,483	11,483	0	0	0	0
Customer Services	491,757	491,757	0	0	0	0
Property and Other Local Taxes	1,861,638	1,861,638	0	0	0	0
Miscellaneous	57,112	57,112	0	14,917	14,917	0
Total Revenues	5,876,305	5,876,305	0	6,845,297	6,845,297	0
<u>Expenditures:</u>						
Current:						
Instruction:						
Special	51,599	51,599	0	0	0	0
Vocational	2,594,751	2,594,751	0	518,864	518,864	0
Other	422	422	0	0	0	0
Support Services:						
Pupils	455,834	455,834	0	5,876,147	5,876,147	0
Instructional Staff	229,481	229,481	0	55,478	55,478	0
Board of Education	7,541	7,541	0	0	0	0
Administration	555,931	555,931	0	18,267	18,267	0
Fiscal	225,879	225,879	0	44,561	44,561	0
Business	4,507	4,507	0	0	0	0
Operation and Maintenance of Plant	784,679	784,679	0	30,057	30,057	0
Central	119,532	119,532	0	118,070	118,070	0
Extracurricular Activities	47,942	47,942	0	15,228	15,228	0
Capital Outlay	214	214	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
Total Expenditures	5,078,312	5,078,312	0	6,676,672	6,676,672	0
Excess of Revenues Over (Under) Expenditures	797,993	797,993	0	168,625	168,625	0
<u>Other Financing Sources (Uses):</u>						
Refund of Prior Year Expenditures	16,777	16,777	0	0	0	0
Advances In	402,920	402,920	0	12,010	12,010	0
Advances Out	(12,010)	(12,010)	0	(402,920)	(402,920)	0
Operating Transfers In	0	0	0	14,667	14,667	0
Operating Transfers Out	(99,661)	(99,661)	0	0	0	0
Total Other Financing Sources (Uses)	308,026	308,026	0	(376,243)	(376,243)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,106,019	1,106,019	0	(207,618)	(207,618)	0
Fund Balances at July 1, 2002	2,184,343	2,184,343	0	316,457	316,457	0
Prior Year Encumbrances Appropriated	54,580	54,580	0	137,320	137,320	0
Fund Balances at June 30, 2003	\$3,344,942	\$3,344,942	\$0	\$246,159	\$246,159	\$0

See Accompanying Notes to the General-Purpose Financial Statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$75,433	\$75,433	\$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	572,150	572,150	0
0	0	0	0	0	0
0	0	0	647,583	647,583	0
0	0	0	0	0	0
0	0	0	975	975	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	17,675	17,675	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	93,426	93,426	0
0	0	0	0	0	0
0	0	0	56,304	56,304	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
130,000	130,000	0	280,000	280,000	0
12,090	12,090	0	38,913	38,913	0
142,090	142,090	0	487,293	487,293	0
(142,090)	(142,090)	0	160,290	160,290	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
142,090	142,090	0	0	0	0
0	0	0	(142,090)	(142,090)	0
142,090	142,090	0	(142,090)	(142,090)	0
0	0	0	18,200	18,200	0
0	0	0	1,232,339	1,232,339	0
0	0	0	3,156	3,156	0
\$0	\$0	\$0	\$1,253,695	\$1,253,695	\$0

Scioto County Joint Vocational School District
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2003

	Enterprise
<u>Operating Revenues:</u>	
Tuition	\$960,101
Sales	62,841
Other Operating Revenues	35,115
Total Operating Revenues	1,058,057
<u>Operating Expenses:</u>	
Salaries	965,880
Fringe Benefits	362,385
Purchased Services	265,527
Materials and Supplies	625,592
Cost of Sales	132,503
Depreciation	36,376
Other	12,901
Total Operating Expenses	2,401,164
Operating Loss	(1,343,107)
<u>Non-Operating Revenues :</u>	
Federal Donated Commodities	15,878
Interest	692
Federal and State Subsidies	982,018
Total Non-Operating Revenues	998,588
Net Loss Before Operating Transfers	(344,519)
Other Financing Sources:	
Operating Transfers In	84,994
Total Other Financing Sources	84,994
Net Loss	(259,525)
Retained Earnings at July 1, 2002	778,406
Retained Earnings at June 30, 2003	\$518,881

See Accompanying Notes to the General-Purpose Financial Statements

Scioto County Joint Vocational School District
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2003

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Tuition	\$866,687	\$863,831	(\$2,856)
Sales	62,841	62,841	0
Interest	692	692	0
Other Revenues	35,115	35,115	0
Federal and State Subsidies	1,224,109	982,018	(242,091)
Operating Transfers In	84,994	84,994	0
Total Revenues	2,274,438	2,029,491	(244,947)
<u>Expenses:</u>			
Salaries	936,627	936,627	0
Fringe Benefits	364,542	364,542	0
Purchased Services	369,131	369,131	0
Materials and Supplies	666,211	666,211	0
Capital Outlay	16,548	16,548	0
Other	13,807	13,807	0
Total Expenses	2,366,866	2,366,866	0
Excess of Revenues Over (Under) Expenses	(92,428)	(337,375)	(244,947)
Fund Equity at July 1, 2002	593,538	593,538	0
Prior Year Encumbrances Appropriated	19,724	19,724	0
Fund Equity at June 30, 2003	\$520,834	\$275,887	(\$244,947)

See Accompanying Notes to the General-Purpose Financial Statements

Scioto County Joint Vocational School District
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2003

	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$62,841
Cash Received from Tuition Payments	863,831
Cash Received from Other Operating Sources	35,115
Cash Payments to Suppliers for Goods and Services	(978,000)
Cash Payments to Employees for Services	(936,627)
Cash Payments for Employee Benefits	(364,542)
Net Cash Used for Operating Activities	(1,317,382)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	982,018
Transfers In	84,994
Net Cash Provided by Noncapital Financing Activities	1,067,012
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(40,426)
Net Cash Used for Capital and Related Financing Activities	(40,426)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	692
Net Cash Provided by Investing Activities	692
Net Increase in Cash and Cash Equivalents	(290,104)
Cash and Cash Equivalents at July 1, 2002	613,261
Cash and Cash Equivalents at June 30, 2003	\$323,157
 <u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(1,343,107)
 <u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	36,376
Donated Commodities Used During Year	15,878
<u>Changes in Assets and Liabilities:</u>	
(Increase)/Decrease in Accounts Receivable	(96,270)
(Increase)/Decrease in Inventory Held for Resale	10,357
Increase/(Decrease) in Accounts Payable	38,008
Increase/(Decrease) in Accrued Wages	(8,994)
Increase/(Decrease) in Compensated Absences Payable	34,811
Increase/(Decrease) in Intergovernmental Payable	1,279
Increase/(Decrease) in Deferred Revenue	(5,720)
Total Adjustments	25,725
Net Cash Used For Operating Activities	(\$1,317,382)

See Accompanying Notes to the General-Purpose Financial Statements

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Scioto County Joint Vocational School (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District is a discretely presented component unit of South Central Ohio Educational Service Center (the Service Center), a legally separate body politic. Three out of five board members of the Scioto County Joint Vocational School District are also board members of the Service Center. The Joint Vocational School is responsible for levying taxes, approving its own budgets, appointing personnel, and accounting and financing related activities.

The School District was established in 1971 through the consolidation of existing land areas and school districts. The School District serves the entire Scioto County area. It is located in Lucasville, Ohio. It is staffed by 30 non-certificated employees, 59 certificated full-time teaching personnel and 10 administrative employees who provide services to 422 students and other community members. The School District currently operates 3 instructional buildings and 1 garage.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the Scioto County Joint Vocational School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Scioto County Joint Vocational School District, this includes general operations, food service, 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 organization's 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 organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations 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, of which two are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), Scioto County Regional Council of Governments and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 16 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis Of Presentation - Fund Accounting

The financial statements of the Scioto County Joint Vocational School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting (continued)

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 Fund 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 those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

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

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type:

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 is the School District's proprietary fund type:

Enterprise Fund(s) - 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 is that the costs (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.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting (continued)

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. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group - This account group 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 account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 funds 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. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., 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.

Revenues-Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6.) Revenue from grants 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.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in 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 Process

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

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

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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 express 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 Scioto County Budget Commission for rate determination.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

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 School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash 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 statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

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 must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, 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 the level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board 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. During the year, one supplemental appropriation was legally enacted; however, this amendment was not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. 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 year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal 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.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

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

During fiscal year 2003, investments were limited to repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

For purposes of the combined statement of cash flows and for 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. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. 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 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 five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets 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 enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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.

Capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other 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.

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

K. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventories of supplies and materials, prepaid items, property taxes, and capital improvements. The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a capital maintenance reserve. This reserve is required by State statute.

M. Estimates

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

N. 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 cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2003, the Improving Teacher Quality, Title II and Drug Free Schools Special Revenue Funds had deficit fund balances of \$2,656, \$4,169 and \$2,351 respectively. Deficits were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Compliance

The District did not comply with Ohio Revised Code Section 5705.41(D) requiring the certification of appropriations free from any previous encumbrance prior to the obligation of expenditure of funds.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of accounting principles generally accepted in the United States of America (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 Enterprise Funds 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 expenditures/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. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 4 - 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 and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental fund Types			
	General	Special Revenue	Capital Projects
GAAP Basis	\$575,137	(\$527,109)	\$229,105
Revenue Accruals	500,336	843,841	73,595
Expenditure Accruals	48,773	(376,744)	(277,456)
Encumbrances	(18,227)	(147,606)	(7,044)
Budget Basis	\$1,106,019	(\$207,618)	\$18,200

There were no adjustments required for the Debt Service Fund as the budget basis and the GAAP basis were the same.

Net Income/Excess of Revenues Over (Under) Expenses, Transfers Proprietary Fund Type	
	Enterprise
GAAP Basis	(\$259,525)
Revenue Accruals	(112,148)
Expense Accruals	81,569
Encumbrances	(47,271)
Budget Basis	(\$337,375)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond 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. Certain Banker's 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; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Cash on Hand At year end, the School District had \$160 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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

Deposits At year end, the carrying amount of the School District's deposits was \$286,817 and the bank balance was \$769,803. Of the bank balance:

1. \$100,485 was covered by federal depository insurance; and
2. \$669,318 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying Amount	Fair Value
Investments:			
Repurchase Agreements	\$5,072,000	\$5,072,000	\$5,072,000
Total Investments	\$5,072,000	\$5,072,000	\$5,072,000

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.*

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$5,358,977	\$0
Cash on Hand	(160)	0
Investments:		
Repurchase Agreements	(5,072,000)	5,072,000
GASB Statement 3	\$286,817	\$5,072,000

NOTE 6 - PROPERTY TAXES

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - PROPERTY TAXES (continued)

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations.

The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$85,438 in the General Fund and \$30,963 in the Permanent Improvement Capital Projects Fund.

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

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$605,517,010	79.23%	\$617,723,710	78.80%
Public Utility	75,689,630	9.90%	77,037,610	9.82%
Tangible Personal Property	83,091,270	10.87%	89,188,780	11.38%
Total Assessed Value	<u>\$764,297,910</u>	<u>100.00%</u>	<u>\$783,950,100</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$5.37		\$5.37	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes and accounts (rent, billings for user charged services, and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund	\$68,640
Special Revenue Funds	
21 st Century Grant	<u>4,364,279</u>
Total Intergovernmental Receivable	<u>\$4,432,919</u>

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$474,008
Less Accumulated Depreciation	<u>(303,346)</u>
Net Fixed Assets	<u><u>\$170,662</u></u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 6/30/02	Additions	Deletions	Balance at 6/30/03
Land and Improvements	\$567,834	\$0	\$0	\$567,834
Buildings and Improvements	3,838,661	0	0	3,838,661
Furniture, Fixtures and Equipment	2,305,075	467,182	3,958	2,768,299
Textbooks	292,612	0	0	292,612
Assets held under Capital Lease	270,865	43,500	270,865	43,500
Vehicles	<u>62,161</u>	<u>19,709</u>	<u>0</u>	<u>81,870</u>
Totals	<u><u>\$7,337,208</u></u>	<u><u>\$530,391</u></u>	<u><u>\$274,823</u></u>	<u><u>\$7,592,776</u></u>

NOTE 9 - RISK MANAGEMENT

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

Building and Contents-replacement cost (\$25,000 deductible)	\$16,890,141
Boiler and Machinery (\$25,000 deductible)	No limit
Automobile Liability (\$100 deductible)	100,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers Compensation Group Grating Program (the Plan), an insurance purchasing pool (Note 14). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - RISK MANAGEMENT (continued)

A participant will then either receive money from or be required to contribute to the “equity pooling fund.” This “equity pooling fund” arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan’s selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

The School District is a member of the Scioto County Regional Council of Governments, a public entity risk pool (Note 16), consisting of school districts within the county offering medical and dental insurance to their employees. Monthly premiums are paid to the Scioto County Educational Service Center as fiscal agent, who in turns pays the claims on the School District’s behalf.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District’s contributions to SERS for the fiscal years ending June 30, 2001, 2002 and 2003 were \$60,197, \$52,443, and \$64,331 respectively, 38 percent has been contributed for fiscal year 2003, and 100 percent for the fiscal years 2002 and 2001. \$40,032 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District’s contribution for pension obligations to STRS for the fiscal years ending June 30, 2001, 2002 and 2003 were \$377,943, \$404,053 and \$485,257 respectively, 88 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$42,450 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 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 Employees 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$37,132 during fiscal year 2003.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, 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 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The portion of the employer contributions that were used to fund postemployment benefits was \$150,318.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators 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 150 days for all personnel. Upon retirement, payment is made for thirty percent of accrued, but unused sick leave credit to a maximum of 45 days for classified employees and 45 days for certified employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource.

NOTE 13 - LONG-TERM OBLIGATIONS

Scioto County JVS Energy Conservation Loan - On December 1, 1995, Scioto County Joint Vocational School District issued \$1,200,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a eight year period with final maturity during fiscal year 2004. The debt will be retired from property taxes.

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

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03
Energy Conservation Loan 1994 6.20%	260,000	0	130,000	130,000
Total Long-Term Loans	260,000	0	130,000	130,000
Pension Obligations	119,612	69,240	119,612	69,240
Capital Lease	12,557	43,500	12,557	43,500
Compensated Absences	315,614	87,891	0	403,505
Total General Long-Term Obligations	\$707,783	\$200,631	\$262,169	\$646,245

The School District's voted legal debt margin was \$70,425,509 with an unvoted debt margin of \$783,950 at June 30, 2003.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$130,000	\$4,030	\$134,030

Debt outstanding on June 30, 2003 consisted of the following:

Date of Issue	Interest Rate	Maturity Date	Balance 07/01/02	Additions	Deletions	Balance 06/30/2003
07/07/1999	5.59%	10/01/04	\$840,000	0	\$280,000	\$560,000

Outstanding Tax Anticipation Notes were issued for school building improvements. Tax Anticipation Notes are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

A summary of the District's future amortization of debt funding requirements as of June 30, 2003, follows:

Year of Funding	Principal	Interest	Total
2004	280,000	23,478	303,478
2005	280,000	7,826	287,826
Total	\$560,000	\$31,304	\$591,304

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Accounting principles generally accepted in the United States of America requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

NOTE 14 - GROUP PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The WCGRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the Scioto County Joint Vocational School District as of and for the fiscal year ended June 30, 2003.

	Food Service	Adult Education	Total Enterprise Funds
Operating Revenues	\$62,841	\$995,216	\$1,058,057
Operating Expenses			
less Depreciation	281,024	2,083,764	2,364,788
Depreciation Expense	6,772	29,604	36,376
Operating Income (Loss)	(224,954)	(1,118,153)	(1,343,107)
Donated Commodities	15,878	0	15,878
Operating Grants	136,860	845,158	982,018
Operating Transfers In	84,994	0	84,994
Net Income (Loss)	13,469	(272,994)	(259,525)
Net Working Capital	(15,887)	364,106	348,219
Total Assets	83,133	669,347	752,480
Total Fund Equity	62,266	456,615	518,881
Encumbrances as of June 30, 2003	0	47,271	47,271

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence 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 SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid SCOCA \$23,588 for services provided during the year. Financial information can be obtained from the Pike County JVS, Piketon, Ohio 45661.

Scioto County Regional Council of Governments - The Scioto County Regional Council of Governments, a public entity risk pool, currently operates to provide health insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Several Scioto County school districts have entered into an agreement with the Scioto County Educational Service Center to form the Scioto County Regional Council of Governments. The overall objectives of the council are to formulate and administer a program of health insurance for the benefit of the council members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Scioto County Regional Council of Governments, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board of Directors, consisting of superintendents from the participating school districts.

Accordingly, the Scioto County Regional Council of Governments is not part of the District and its operations are not included as part of the reporting entity. To obtain financial information, write to the Scioto County Educational Service Center at Fourth and Court Streets, Portsmouth, Ohio 45662.

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 17 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 18 - CONTINGENCIES

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, 2003.

NOTE 19 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2003, the School District entered into a capital lease for copier. In a prior fiscal year the School District entered into leases for a copier and computers. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$43,500. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term debt account group. Principal payments in fiscal year 2003 totaled \$12,557 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2003:

<u>Year Ending</u> <u>June 30,</u>	<u>Long-Term</u> <u>Debt</u>
2004	16,966
2005	16,966
2006	<u>16,966</u>
Total Minimum Lease Payments	50,898
Less: Amount Representing Interest	<u>(7,398)</u>
Present Value of Minimum Lease Payments	<u>\$ 43,500</u>

Scioto County Joint Vocational School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 20 - STATUTORY RESERVES

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

The following information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbook Reserve	Capital Maintenance Reserve	Total
Restated Cash Balance 07/01/2002	\$0	\$267,767	\$267,767
Current Year Set-Aside Requirement	70,666	70,666	141,332
Offset Credits and Pr. Yr. Carryover	(728,387)	0	(728,387)
Qualifying Expenditures	(400,837)	0	(400,837)
Balance Carried Forward to FY 2004	\$(1,058,558)	\$338,433	(720,125)
Set Aside Reserve Cash Balance as of June 30, 2003	\$0	\$338,433	\$338,433

The School District had offset and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks Reserve, these extra amounts may be carried forward and used to reduce the set-aside requirements of future years.

Scioto County Joint Vocational School District
Scioto County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$10,158	\$0	\$10,158
National School Breakfast Program	05-PU 2003	10.553	37,119	0	37,119	0
National School Lunch Program	LL-P4/VG-S1 2003	10.555	98,456	0	98,456	0
Total United States Department of Agriculture - Nutrition Cluster			135,575	10,158	135,575	10,158
Appalachian Regional Commission						
<i>Direct from the Federal Government</i>						
Appalachian Vocational & Other Educational Facilities and Operations	N	23.012	0	0	975	0
United States Department of Education						
<i>Direct from the Federal Government</i>						
<i>Student Financial Aid Cluster:</i>						
Pell Grant Program	N	84.063	354,225	0	354,225	0
Guaranteed Student Loans	N	84.032	0	410,891	0	410,891
Total Student Financial Aid Cluster			354,225	410,891	354,225	410,891
21st Century Grant	N	84.287	5,607,091	0	5,605,505	0
Rural Education Achievement Program	N	84.358	45,855	0	44,615	0
<i>Passed through the Ohio Department of Education</i>						
VOCED Basic Grant	20-C2 2003	84.048	808,514	0	463,945	0
Safe & Drug Free Schools and Communities	DR-S1 2003	84.186	202	0	202	0
Eisenhower Professional Development Grant	MS-S1 2002	84.281	1,338	0	0	0
Innovative Education Program Strategy	C2-S1 2003	84.298	1,268	0	1,268	0
Improving Teacher Quality	TR-S1 2003	84.367	506	0	506	0
Total United States Department of Education			6,818,999	410,891	6,470,266	410,891
Total Federal Financial Assistance			\$6,954,574	\$421,049	\$6,606,816	\$421,049

NA - Pass Through Entity Number is Not Available

N - Direct from the Federal Government

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**SCIOTO COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - - FOOD DISTRIBUTIONS

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C - GUARANTEED STUDENT LOANS

Nonmonetary assistance is reported in the schedule at the dollar amount of guaranteed student loans disbursed.

BALESTRA, HARR & SCHERER, CPAs, INC.

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Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board
Scioto County Joint Vocational School District
P.O. Box 766
Lucasville, Ohio 45648

We have audited the general-purpose financial statements of the Scioto County Joint Vocational School District (the District), Scioto County, a component unit of South Central Ohio Educational Service Center, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 13, 2003. 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 Scioto County Joint Vocational School District's general-purpose 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 general-purpose financial statement amounts. However, providing and 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2003-1. We also noted an immaterial instance of noncompliance, which we have reported to the management of the District in a separate letter dated October 13, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scioto County Joint Vocational School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the District in a separate letter dated October 13, 2003.

Members of the Board
Scioto County Joint Vocational School District
Lucasville, Ohio 45648
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, members of the Board, 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.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

October 13, 2003

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Board
Scioto County Joint Vocational School District
P.O. Box 766
Lucasville, Ohio 45648

Compliance

We have audited the compliance of the Scioto County Joint Vocational School 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 programs for the year ended June 30, 2003. Scioto County Joint Vocational School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Scioto County Joint Vocational School District's management. Our responsibility is to express an opinion on Scioto County Joint Vocational School 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scioto County Joint Vocational School 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 of Scioto County Joint Vocational School District's compliance with those requirements.

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

Internal Control Over Compliance

The management of Scioto County Joint Vocational School 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 Scioto County Joint Vocational School 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.

Members of the Board
Scioto County Joint Vocational School District
Lucasville, Ohio 45648
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133
Page 2

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

This report is intended solely for the information and use of the audit committee, management, members of the Board, 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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

October 13, 2003

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**SCIOTO COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance 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 section .510?	No
(d)(1)(vii)	Major Programs (list):	21 st Century Grant, CFDA #82.287
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**SCIOTO COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2003**

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

Finding Number	Reportable Ohio Revised Code Citation:
2003-1	Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of a fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. One exception is the taxing authority can authorize the drawing of a warrant with the use of a then and now certificate. A then and now certificates may be used if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance. Purchasing card expenditures totaling \$547,112 were made without prior certification and without the use of a then and now certificate approved by the Board.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

CORRECTIVE ACTION PLAN

**SCIOTO COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2003**

Finding Number	Planned Corrective Action:	Anticipated Completion Date:	Responsible Contact Person:
2003-1	Funds for purchasing card expenditures will be certified prior to the date of the purchase.	June 30, 2004	Lily Blevins, Treasurer



**Auditor of State
Betty Montgomery**

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SCIOTO COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

SCIOTO 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 30, 2003**