



**U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT
CLERMONT COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT
CLERMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statements of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types For the Fiscal Year Ended June 30, 2001	8
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, 2001	10
Notes to the General-Purpose Financial Statements	13
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	41

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REPORT OF INDEPENDENT ACCOUNTANTS

U.S. Grant Joint Vocational School District
Clermont County
3046 State Route 125
Bethel, Ohio 45106

To the Board of Education:

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Grant Joint Vocational School District, Clermont County, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 7, 2001

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U.S. Grant Joint Vocational School District
Clermont County, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits:</i>				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$2,286,628	\$314,161	\$66,295	\$89,989
Receivables:				
Taxes	2,769,175	0	0	0
Accounts	11,570	0	0	0
Intergovernmental	0	6,182	0	0
Accrued Interest	13,813	0	0	0
Interfund Receivable	24,038	0	0	0
Prepaid Items	17,832	0	0	0
Materials and Supplies Inventory	0	5,069	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,056	0	0	0
Fixed Assets	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
	0	0	0	0
Total Assets and Other Debits	\$5,147,112	\$325,412	\$66,295	\$89,989

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$7,020	\$0	\$0	\$2,764,093
0	0	0	2,769,175
0	0	0	11,570
0	0	0	6,182
0	0	0	13,813
0	0	0	24,038
0	0	0	17,832
0	0	0	5,069
0	0	0	24,056
0	7,051,417	0	7,051,417
0	0	66,295	66,295
0	0	847,725	847,725
<u>\$7,020</u>	<u>\$7,051,417</u>	<u>\$914,020</u>	<u>\$13,601,265</u>

(Continued)

U.S. Grant Joint Vocational School District
Clermont County, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities, Fund Equity and Other Credits:</i>				
<i>Liabilities:</i>				
Accounts Payable	\$31,807	\$336	\$0	\$0
Accrued Wages and Benefits	341,737	29,746	0	0
Compensated Absences Payable	12,140	834	0	0
Interfund Payable	0	24,038	0	0
Intergovernmental Payable	92,815	10,723	0	0
Deferred Revenue	2,203,575	4,731	0	0
Undistributed Monies	0	0	0	0
School Facilities Loan Payable	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>2,682,074</u>	<u>70,408</u>	<u>0</u>	<u>0</u>
<i>Fund Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	126,124	15,203	0	5,500
Reserved for Materials and Supplies Inventory	0	5,069	0	0
Reserved for Property Taxes	565,600	0	0	0
Reserved for Budget Stabilization	24,056	0	0	0
Unreserved	1,749,258	234,732	66,295	84,489
	<u>1,749,258</u>	<u>234,732</u>	<u>66,295</u>	<u>84,489</u>
Total Fund Equity and Other Credits	<u>2,465,038</u>	<u>255,004</u>	<u>66,295</u>	<u>89,989</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,147,112</u>	<u>\$325,412</u>	<u>\$66,295</u>	<u>\$89,989</u>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$0	\$0	\$0	\$32,143
0	0	0	371,483
0	0	387,688	400,662
0	0	0	24,038
0	0	233	103,771
0	0	0	2,208,306
7,020	0	0	7,020
0	0	526,099	526,099
<u>7,020</u>	<u>0</u>	<u>914,020</u>	<u>3,673,522</u>
0	7,051,417	0	7,051,417
0	0	0	146,827
0	0	0	5,069
0	0	0	565,600
0	0	0	24,056
0	0	0	2,134,774
<u>0</u>	<u>7,051,417</u>	<u>0</u>	<u>9,927,743</u>
<u>\$7,020</u>	<u>\$7,051,417</u>	<u>\$914,020</u>	<u>\$13,601,265</u>

U.S. Grant Joint Vocational School District
 Clermont County, Ohio
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2001

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Property Taxes	\$3,014,455	\$0	\$58,455	\$0	\$3,072,910
Intergovernmental	1,690,456	378,658	0	5,500	2,074,614
Tuition and Fees	49,138	125,725	0	0	174,863
Interest	180,669	7,344	0	0	188,013
Increase in Fair Value of Investments	29,229	0	0	0	29,229
Gifts and Donations	0	2,463	0	0	2,463
Customer Services	0	102,282	0	0	102,282
Rent	2,639	0	0	0	2,639
Miscellaneous	57,844	78,245	0	0	136,089
Total Revenues	5,024,430	694,717	58,455	5,500	5,783,102
Expenditures:					
Current:					
Instruction:					
Regular	194,151	5,481	0	0	199,632
Special	154,490	0	0	0	154,490
Vocational	2,312,117	260,558	0	17,424	2,590,099
Adult/Continuing	0	293,082	0	0	293,082
Support Services:					
Pupils	339,865	127,056	0	0	466,921
Instructional Staff	100,737	39,496	0	0	140,233
Board of Education	80,895	0	0	0	80,895
Administration	316,730	3,741	0	0	320,471
Fiscal	325,210	3,108	0	0	328,318
Business	49,883	0	0	0	49,883
Operation and Maintenance of Plant	612,104	670	0	0	612,774
Pupil Transportation	16,218	0	0	0	16,218
Central	65,349	1,117	0	0	66,466
Operation of Non-Instructional Services					
Extracurricular Activities	0	140,121	0	0	140,121
Debt Service:					
Principal Retirement	0	0	58,455	0	58,455
Total Expenditures	4,595,440	874,430	58,455	17,424	5,545,749
Excess of Revenues Over (Under) Expenditures	428,990	(179,713)	0	(11,924)	237,353
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	1,100	0	0	0	1,100
Operating Transfers In	0	229,731	0	0	229,731
Operating Transfers Out	(229,731)	0	0	0	(229,731)
Total Other Financing Sources (Uses)	(228,631)	229,731	0	0	1,100
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	200,359	50,018	0	(11,924)	238,453
Fund Balances at Beginning of Year - Restated (See Note 3)	2,264,679	204,298	66,295	101,913	2,637,185
Increase in Reserve for Inventory	0	688	0	0	688
Fund Balances at End of Year	\$2,465,038	\$255,004	\$66,295	\$89,989	\$2,876,326

See accompanying notes to the general purpose financial statements

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U.S. Grant Joint Vocational School District
Clermont County, Ohio
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, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$2,727,297	\$2,578,520	(\$148,777)	\$0	\$0	\$0
Intergovernmental	1,533,200	1,696,456	163,256	447,069	379,707	(67,362)
Tuition and Fees	51,500	48,069	(3,431)	142,500	125,725	(16,775)
Interest	150,000	185,230	35,230	150	7,344	7,194
Gifts and Donations	0	0	0	1,500	2,463	963
Customer Services	0	0	0	78,400	102,417	24,017
Rent	7,200	2,639	(4,561)	0	0	0
Miscellaneous	2,620	6,115	3,495	15,500	14,332	(1,168)
Total Revenues	4,471,817	4,517,029	45,212	685,119	631,988	(53,131)
Expenditures:						
Current:						
Instruction:						
Regular	253,618	194,768	58,850	7,157	5,481	1,676
Special	167,421	157,152	10,269	0	0	0
Vocational	2,594,642	2,324,573	270,069	310,238	267,604	42,634
Adult/Continuing	0	0	0	372,113	303,768	68,345
Support Services:						
Pupils	478,130	362,119	116,011	132,270	130,926	1,344
Instructional Staff	193,898	111,509	82,389	51,912	42,938	8,974
Board of Education	98,632	82,587	16,045	0	0	0
Administration	375,125	322,675	52,450	3,752	3,752	0
Fiscal	364,091	343,044	21,047	3,500	3,108	392
Business	106,182	68,395	37,787	50,000	0	50,000
Operation and Maintenance of Plant	802,983	688,156	114,827	1,783	670	1,113
Pupil Transportation	21,795	16,747	5,048	0	0	0
Central	87,517	65,853	21,664	1,117	1,117	0
Operation of Non-Instructional Services	0	0	0	181,639	139,430	42,209
Extracurricular Activities	44,834	30,052	14,782	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Total Expenditures	5,588,868	4,767,630	821,238	1,115,481	898,794	216,687
Excess of Revenues Over (Under) Expenditures	(1,117,051)	(250,601)	866,450	(430,362)	(266,806)	163,556
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	1,100	1,100	0	0	0
Refund of Prior Year Expenditures	0	46,409	46,409	0	0	0
Other Financing Sources	0	6,024	6,024	64,130	64,186	56
Advances In	23,562	24,308	746	24,731	24,038	(693)
Advances Out	(40,000)	(24,038)	15,962	(43,615)	(24,308)	19,307
Operating Transfers In	0	0	0	249,038	229,731	(19,307)
Operating Transfers Out	(300,000)	(229,731)	70,269	0	0	0
Total Other Financing Sources (Uses)	(316,438)	(175,928)	140,510	294,284	293,647	(637)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,433,489)	(426,529)	1,006,960	(136,078)	26,841	162,919
Fund Balances at Beginning of Year	2,342,720	2,342,720	0	229,510	229,510	0
Prior Year Encumbrances Appropriated	213,107	213,107	0	40,174	40,174	0
Fund Balances at End of Year	\$1,122,338	\$2,129,298	\$1,006,960	\$133,606	\$296,525	\$162,919

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)
\$58,455	\$58,455	\$0	\$0	\$0	\$0
0	0	0	5,500	5,500	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
58,455	58,455	0	5,500	5,500	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	22,924	22,924	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
60,000	58,455	1,545	0	0	0
60,000	58,455	1,545	22,924	22,924	0
(1,545)	0	1,545	(17,424)	(17,424)	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(1,545)	0	1,545	(17,424)	(17,424)	0
66,295	66,295	0	101,913	101,913	0
0	0	0	0	0	0
\$64,750	\$66,295	\$1,545	\$84,489	\$84,489	\$0

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U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

U.S. Grant Joint Vocational School District (the "School District") is organized pursuant to Section 3311.18 of the Ohio Revised Code. The School District operates under a five member Board consisting of appointees from each local school districts' board. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1973 through the cooperation of all school districts involved. The School District serves an area of approximately 40.43 square miles. It is located in Clermont County, and includes the local school districts of Bethel-Tate, Felicity Franklin, and Williamsburg, as well as New Richmond Exempted Village School District. The School District currently operates one instructional building.

Reporting Entity:

A reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements are not misleading. The stand-alone government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For U.S. Grant Joint Vocational School District, this includes general operations, food service, adult education, 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 currently has no component units.

The School District is associated with two jointly governed organizations and two insurance purchasing pools. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association, the Clermont County Health Trust and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations and the School District's participation is discussed in Notes 16 and 17 to the general purpose financial statements.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than 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 Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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 only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of 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.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District.

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.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The modified accrual basis of accounting is followed for the governmental and agency funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 governmental funds.

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 the agency fund, are legally required to be budgeted and appropriated. The primary level of budgetary control is at fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been given the authority to further allocate appropriations to functions and objects within each fund.

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 Clermont County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the 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

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution 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 legal 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, several supplemental appropriations were legally enacted; however, none of these amendments were 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 by the Board of Education as a management control device during the year for all funds at the function level other than the agency fund, consistent with statutory provisions.

Encumbrances:

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

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.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 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 2001, the School District's investments were limited to repurchase agreements, the State Treasury Assets Reserve of Ohio (STAR Ohio), a money market mutual fund, Federal Home Loan Bank Bonds, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes.

Except for nonparticipating investment contracts such as repurchase agreements, investments are reported at fair value, which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$180,669, which includes \$30,696 assigned from other School District funds. The special trust and food service special revenue funds also received interest revenue in the amount of \$7,344.

For presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities three months or less at the time they are purchased by the School District, are considered to be cash equivalents.

E. Interfund Assets and Liabilities

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

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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 is reported in the year in which services are consumed.

G. Inventory

Inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption, donated and purchased food. 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 which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 15 for additional information regarding set-asides.

I. Fixed Assets

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. 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. Interest incurred during the construction of general fixed assets is also not capitalized. Improvements are capitalized.

Assets in the general fixed assets account group are not depreciated.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

K. Accrued Liabilities and Long-Term Obligations

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

L. Interfund Transactions

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

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

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

The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. This reserve consists exclusively of monies received by the School District from the Bureau of Workers' Compensation before April 10, 2001. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State Statute.

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Transactions," an amendment of GASB No. 33, which changes how the School District reports certain types of revenues.

U. S. Grant Joint Vocational School District
 Clermont County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES (Continued)

The effect of this change on the excess of revenues and other financing sources over expenditures and other financing uses and fund balance as of June 30, 2000 is as follows:

	Special Revenue Funds
Excess as previously reported	\$55,525
Implementation of GASB 33	(22,343)
Restated Amounts for the year ended June 30, 2000	\$33,182
	Special Revenue Funds
Fund Balance at June 30, 2000	\$226,641
Implementation of GASB 33	(22,343)
Fund Balance at July 1, 2000	\$204,298

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 generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

U. S. Grant Joint Vocational School District
 Clermont County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes 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	\$200,359	\$50,018	(\$11,924)
Revenue Accruals	(425,739)	1,457	0
Expenditure Accruals	(28,917)	(6,728)	0
Advances	270	(270)	0
Prepaid Items	13,955	0	0
Increase in Fair Value of Investments	(29,229)	0	0
Encumbrances	(157,228)	(17,636)	(5,500)
Budget Basis	(\$426,529)	\$26,841	(\$17,424)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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 issuance of federal government agencies or instrumentalities;

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
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 School District, and must be purchased with the expectation that it will be held to maturity.

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

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 fiscal year end, the carrying amount of the School District's deposits was (\$207,290) and the bank balance was \$4,226. The entire bank balance was covered by federal depository insurance.

U. S. Grant Joint Vocational School District
 Clermont County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

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 fiscal 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 that 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. The mutual funds and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair Value</u>
Mutual Fund Investment Sweep	\$0	\$382,507	\$382,507
STAR Ohio	0	695,946	695,946
Money Market Mutual Fund	0	48,796	48,796
Federal Home Loan Bank (FHLB) Bonds	174,390	0	176,148
Federal Home Loan Bank (FHLB) Notes	300,446	0	306,250
Federal Home Loan Mortgage Company (FHLMC) Notes	1,119,590	0	1,134,253
Federal National Mortgage Association (FNMA) Notes	249,606	0	251,539
	<u>\$1,844,032</u>	<u>\$1,127,249</u>	<u>\$2,995,439</u>

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 Nonexpendable Trust Fund and Governmental Entities that use Proprietary Fund Accounting."

U. S. Grant Joint Vocational School District
 Clermont County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,788,149	\$0
Investments:		
Repurchase Agreements	(382,507)	382,507
STAR Ohio	(695,946)	695,946
Money Market Mutual Fund	(48,796)	48,796
Federal Home Loan Bank (FHLB) Bonds	(176,148)	176,148
Federal Home Loan Bank (FHLB) Notes	(306,250)	306,250
Federal Home Loan Mortgage Company (FHLMC) Notes	(1,134,253)	1,134,253
Federal National Mortgage Association (FNMA) Notes	(251,539)	251,539
GASB Statement No. 3	(\$207,290)	\$2,995,439

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

U. S. Grant Joint Vocational School District
 Clermont County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 6 - PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

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

The assessed values upon which fiscal year 2001 taxes were collected are:

	<u>2000 Second- Half Collections</u>		<u>2001 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$429,878,490	47.47%	\$441,489,890	50.72%
Public Utility	443,127,740	48.94	414,997,800	47.68
Tangible Personal Property	<u>32,546,974</u>	<u>3.59</u>	<u>13,889,297</u>	<u>1.60</u>
Total Assessed Value	<u>\$905,553,204</u>	<u>100.00%</u>	<u>\$870,376,987</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation		\$4.10		\$4.10

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including U.S. Grant Joint Vocational School District. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measureable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measureable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2001, was \$565,600 and was available to the general fund. The amount available as an advance at June 30, 2000 was \$129,665 and was available to the general fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (billings for user charged services, and student fees), grants, accrued interest and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivable</u>	<u>Amount</u>
Special Revenue Funds:	
Career Development Grant	\$4,731
Food Service	1,451
	<u> </u>
Total	<u><u>\$6,182</u></u>

U. S. Grant Joint Vocational School District
 Clermont County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 8 - FIXED ASSETS

A summary of the change in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/2001</u>
Land and Improvements	\$100,000	\$0	\$0	\$100,000
Buildings and Improvements	4,594,988	0	0	4,594,988
Furniture, Fixtures and Equipment	2,141,201	228,324	210,946	2,158,579
Vehicles	152,910	12,278	0	165,188
Construction in Progress	0	32,662	0	32,662
Totals	<u>\$6,989,099</u>	<u>\$273,264</u>	<u>\$210,946</u>	<u>\$7,051,417</u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by Nationwide Insurance is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$14,940,000
Inland Marine Coverage (\$0 deductible)	77,854
Data Processing	800,000
Boiler and Machinery (\$1,000 deductible)	13,500,000
Crime Insurance	5,000
Photographic Equipment (\$0 deductible)	15,000
Automobile Liability (\$0 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	1,000,000
Electronic Data Processing (\$100 deductible)	800,000
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.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 9 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

For fiscal year 2001, the School District participated in the Clermont County Health Trust (the Trust), an insurance purchasing pool (Note 17), in order to provide dental, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

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 benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$20,089, \$27,858, and \$37,771, respectively; 87.58 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$2,496 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$258,251, \$146,131, and \$159,693, respectively; 78.74 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$54,898 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate; currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$122,329 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$47,107.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

U. S. Grant Joint Vocational School District
 Clermont County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 12 - OTHER 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. Employees may accumulate unlimited sick leave. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit for the first 120 days of leave plus one day's pay for each ten sick leave days accumulated beyond 120 days.

B. Life and Accident Insurance

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

C. Early Retirement Incentive

The School District had an early retirement incentive program that ended in fiscal year 2001. Participation was open to any employees that were within the retirement range established by SERS or STRS. The School District bought two years of service credit for those employees if the incentive was taken when the employee became eligible under the program.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/2000	Additions	Deductions	Principal Outstanding 6/30/2001
1995 School Facilities - 0%	\$584,554	\$0	\$58,455	\$526,099
Intergovernmental Payable	836	233	836	233
Compensated Absences	368,104	19,584	0	387,688
Total General Long-Term Obligations	<u>\$953,494</u>	<u>\$19,817</u>	<u>\$59,291</u>	<u>\$914,020</u>

U. S. Grant Joint Vocational School District
 Clermont County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

School Facilities Loan - On January 30, 1995, the U.S. Grant Joint Vocational School District obtained a loan in the amount of \$876,830 for the purpose of purchasing, constructing, remodeling, and equipping the U.S. Grant Joint Vocational School District addition pursuant to House Bill 808 and House Bill 723. The loan was issued for a fifteen-year period with final maturity during fiscal year 2010. The debt will be retired from the debt service fund.

Compensated absences and the intergovernmental payable which represents contractually required pension contributions paid outside the available period will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$78,926,233 with an unvoted debt margin of \$870,377 at June 30, 2001.

Principal requirements to retire the School Facilities Loan outstanding at June 30, 2001 are as follows:

Fiscal Year Ending June 30,	Principal
2002	\$58,456
2003	58,455
2004	58,456
2005	58,456
2006	58,455
2007-2010	233,821
Total	<u><u>\$526,099</u></u>

NOTE 14 - INTERFUND ACTIVITY

Interfund balances at June 30, 2001 consist of the following individual receivables and payables:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$24,038	\$0
Special Revenue Funds:		
Career Development Grant	0	4,731
Vocational Education	0	19,307
Total Special Revenue	<u>0</u>	<u>24,038</u>
Total	<u><u>\$24,038</u></u>	<u><u>\$24,038</u></u>

U. S. Grant Joint Vocational School District
 Clermont County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 15 - SET-ASIDE CALCULATIONS

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 and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	(\$27,729)	\$0	\$101,847
Current Year Set-aside Requirement	111,986	111,986	0
Reduction in Requirement based on revised legislation	0	0	(77,791)
Qualifying Disbursements	(181,026)	(213,944)	0
Current Year Offsets	0	0	0
Totals	<u>(\$96,769)</u>	<u>(\$101,958)</u>	<u>\$24,056</u>
Total Set Aside Reserve Balances Carried Forward			
To Future Fiscal Years	<u>(\$96,769)</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$24,056</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements in future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$24,056.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Hamilton Clermont Cooperative Association/Unified Purchasing Association - The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that created the organization, but there is no ongoing financial interest or responsibility by the participating governments. The School District did not make any financial contributions to the Hamilton/Clermont Cooperative Association/Unified Purchasing Association during fiscal year 2001. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Hamilton/Clermont Cooperative Association - The School District is a participant in a two county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among other member districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid \$5,000 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107

NOTE 17 - INSURANCE PURCHASING POOLS

The Clermont County Health Trust - The Clermont County Health Trust (the "Trust"), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for members' employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator, McElroy Minister, which in turn buys the insurance policies from various insurance companies. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. The School District did not make any financial contributions to the Clermont County Health Trust during fiscal year 2001. Financial information can be obtained from the Clermont County Health Trust at P.O. Box 526 Middletown, Ohio 45042.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 17 - INSURANCE PURCHASING POOLS (Continued)

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP'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 GRP to cover the costs of administering the program.

NOTE 18 - ACCOUNTABILITY

The career development grant, miscellaneous state grants and vocational education special revenue funds have deficit fund balances of \$2,182, \$222, and \$286, respectively at June 30, 2001. These deficits were the result of the application of generally accepted accounting principles. The general fund provides transfers to cover these deficit balances when cash is required, not when the accruals occur.

NOTE 19 - CONTINGENCIES

A. Grants

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

B. Litigation

The School District is a party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

U. S. Grant Joint Vocational School District
Clermont County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 20 - SUBSEQUENT EVENT

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 20, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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



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

U.S. Grant Joint Vocational School District
Clermont County
3046 State Route 125
Bethel, Ohio 45106

To the Board of Education:

We have audited the financial statements of the U.S. Grant Joint Vocational School District, Clermont County, Ohio (the District), as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated December 7, 2001 wherein we noted that the District adopted Governmental Accounting Statement No.33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 7, 2001.

U.S. Grant Joint Vocational School District
Clermont County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 7, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2002**