



**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT
BROWN COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT
BROWN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Southern Hills Joint Vocational School District
Brown County
9193 Hamer Road
Georgetown, Ohio 45121

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Southern Hills Joint Vocational School District, Brown County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Southern Hills Joint Vocational School District, Brown County, Ohio, as of June 30, 2003, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2003 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

December 14, 2003

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

As management of the Southern Hills Joint Vocational School District, we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2003. We encourage readers to consider the information presented here, in conjunction with additional information we have provided in the notes to the financial statements and financial statements to enhance their understanding of the School District's financial performance.

This discussion and analysis of Southern Hills Joint Vocational School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The Southern Hills Joint Vocational School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999.

Financial Highlights

- ‡ In total, net assets increased \$628,019. Net assets of governmental activities increased \$488,567 and net assets of business-type activities increased by \$139,452.
- ‡ General revenues accounted for \$4,209,147 in revenue or 70 percent of all total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,816,227 or 30 percent of total revenues of \$6,025,374.
- ‡ The School District had \$5,033,201 in expenses related to governmental activities; only \$1,472,621 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily grants, entitlements and property taxes) of \$4,209,147 were used to provide for these programs along with cash balances from the prior year.

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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Using the Basic Financial Statements

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Southern Hills Joint Vocational School District as a financial whole, an entire operating entity.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The major funds for the Southern Hills Joint Vocational School District are the general fund, the permanent improvement capital projects fund, the vocational education equipment capital projects fund, and the adult education enterprise fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2003?"

The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Southern Hills Joint Vocational School District
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In the Statement of Net Assets and the Statements of Activities, the School District is divided into two distinct kinds of activities:

- ‡ Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extra-curricular activities.

- ‡ Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's adult education program, customer services and uniform school supplies are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statements of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

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The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2003 and 2002:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and						
Other Assets	\$6,982,113	\$6,146,573	\$668,267	\$527,539	\$7,650,380	\$6,674,112
Capital Assets	3,720,557	3,842,441	8,791	5,734	3,729,348	3,848,175
Total Assets	<u>10,702,670</u>	<u>9,989,014</u>	<u>677,058</u>	<u>533,273</u>	<u>11,379,728</u>	<u>10,522,287</u>
Liabilities						
Long-Term Liabilities	139,895	166,783	0	0	139,895	166,783
Other Liabilities	2,040,251	1,788,274	17,203	12,870	2,057,454	1,801,144
Total Liabilities	<u>2,180,146</u>	<u>1,955,057</u>	<u>17,203</u>	<u>12,870</u>	<u>2,197,349</u>	<u>1,967,927</u>
Net Assets						
Invested in Capital Assets	3,720,557	3,842,441	8,791	5,734	3,729,348	3,848,175
Restricted	2,121,929	1,785,683	0	0	2,121,929	1,785,683
Unrestricted	2,680,038	2,405,833	651,064	514,669	3,331,102	2,920,502
Total Net Assets	<u><u>\$8,522,524</u></u>	<u><u>\$8,033,957</u></u>	<u><u>\$659,855</u></u>	<u><u>\$520,403</u></u>	<u><u>\$9,182,379</u></u>	<u><u>\$8,554,360</u></u>

Total assets increased by \$857,441. This was primarily due to an increase of \$529,086 in governmental equity in pooled cash and cash equivalents and an increase of \$243,755 in governmental property taxes receivable. Total liabilities increased by \$229,422. This was primarily due to an increase of \$185,399 in deferred revenue, which relates to the increase in property taxes receivable.

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Total net assets increased by \$628,019. Invested in Capital Assets for governmental activities decreased due to current year deletions exceeding current year additions by \$121,884. Restricted Net Assets for governmental activities increased by \$336,246. This was primarily due to an increase of \$241,715 in the cash balance in the Permanent Improvement Capital Projects Fund, which occurred due to the receipt of tax revenues with no significant increase in expenditures from the prior year. In future years, this cash balance will be used to fund the School District's facility project. The remaining increase in Restricted Net Assets for governmental activities of \$94,531 was due to an increase in State monies being received based upon an increase in the number of programs offered by the School District.

Unrestricted Net Assets for governmental activities increased by \$274,205 due primarily to the increase in foundation revenue receipted into the General Fund, which resulted from an increase in the number of programs offered by the School District. Unrestricted Net Assets for business-type activities increased by \$136,395 due primarily to an increase in the revenues of the Adult Education Proprietary Fund and a decrease in its expenses.

Table 2, on the following page, shows the changes in net assets for fiscal year 2003.

(Table 2)
Changes in Net Assets

	Governmental Activities 2003	Governmental Activities 2002	Business- Type Activities 2003	Business- Type Activities 2002	Total 2003	Total 2002
Revenues						
Program Revenues:						
Charges for Services	\$101,579	\$146,849	\$265,869	\$179,683	\$367,448	\$326,532
Operating Grants and Contributions	1,367,599	1,324,381	77,737	87,302	1,445,336	1,411,683
Capital Grants and Contributions	3,443	25,683	0	0	3,443	25,683
Total Program Revenues	1,472,621	1,496,913	343,606	266,985	1,816,227	1,763,898
General Revenues:						
Property Taxes	1,734,496	1,759,843	0	0	1,734,496	1,759,843
Grants and Entitlements not Restricted to Specific Programs	2,293,052	2,238,274	0	0	2,293,052	2,238,274
Investment Earnings	166,663	278,652	0	0	166,663	278,652
Miscellaneous	14,936	34,419	0	0	14,936	34,419
Total General Revenues	2,474,651	2,551,345	0	0	2,474,651	2,551,345
Transfers	0	0	160,000	135,000	160,000	135,000
Total Revenues and Transfers	5,681,768	5,808,101	503,606	401,985	6,185,374	6,210,086

(continued)

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
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(Table 2)
Changes in Net Assets
(Continued)

	Governmental Activities 2003	Governmental Activities 2002	Business- Type Activities 2003	Business- Type Activities 2002	Total 2003	Total 2002
Program Expenses						
Instruction						
Regular	143,681	136,871	0	0	143,681	136,871
Vocational	2,947,334	2,774,383	0	0	2,947,334	2,774,383
Adult/Continuing	0	3,972	0	0	0	3,972
Support Services						
Pupils	310,476	295,848	0	0	310,476	295,848
Instructional Staff	122,202	99,619	0	0	122,202	99,619
Board of Education	30,652	29,791	0	0	30,652	29,791
Administration	374,406	346,171	0	0	374,406	346,171
Fiscal	295,554	271,754	0	0	295,554	271,754
Business	16,112	17,169	0	0	16,112	17,169
Operation and Maintenance of Plant	492,466	454,708	0	0	492,466	454,708
Pupil Transportation	41,998	39,140	0	0	41,998	39,140
Central	49,797	61,885	0	0	49,797	61,885
Operation of Non-Instructional Services						
Other	3,080	6,417	0	0	3,080	6,417
Food Service Operations	187,682	168,600	0	0	187,682	168,600
Extracurricular Activities	17,761	4,770	0	0	17,761	4,770
Adult Education	0	0	280,506	242,070	280,506	242,070
Customer Services	0	0	55,538	66,096	55,538	66,096
Uniform Supply	0	0	28,110	21,494	28,110	21,494
Transfers	160,000	135,000	0	0	160,000	135,000
Total Expenses and Transfers	<u>5,193,201</u>	<u>4,846,098</u>	<u>364,154</u>	<u>329,660</u>	<u>5,557,355</u>	<u>5,175,758</u>
Increase in Net Assets	<u>\$488,567</u>	<u>\$962,003</u>	<u>\$139,452</u>	<u>\$72,325</u>	<u>\$628,019</u>	<u>\$1,034,328</u>

Governmental Activities

Grants and Entitlements made up 64 percent of revenues for governmental activities of Southern Hills Joint Vocational School District for fiscal year 2003. It is very common for these monies to make up the majority of revenues in low property wealth districts that rely on State revenue to support its daily operations. Southern Hills ranked 48th out of the 49 Ohio Joint Vocational School Districts in property valuation per pupil.

Southern Hills Joint Vocational School District
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Instruction comprises 61 percent of governmental program expenses. Support services expenses make up 34 percent of governmental expenses. Support services provide a key role in meeting the needs of our students, tutoring to transportation, on-line testing to guidance and maintenance, and assisting our staff in providing an educational process that ranks us near the top in providing education to career tech students.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
 Governmental Activities

	Total Cost of Services 2003	Total Cost of Services 2002	Net Cost of Services 2003	Net Cost of Services 2002
Instruction	\$3,091,015	\$2,915,226	\$1,964,242	\$1,775,078
Support Services	1,733,663	1,616,085	1,500,659	1,370,102
Operation of Non-Instructional Services				
Other	3,080	6,417	3,080	6,417
Food Service Operations	187,682	168,600	74,838	57,818
Extracurricular Activities	17,761	4,770	17,761	4,770
Total Expenses	\$5,033,201	\$4,711,098	\$3,560,580	\$3,214,185

Program revenues decreased by \$24,292, due to the net effect of an increase in restricted grants received from other governments of \$20,978 and a decrease in charges for services of \$45,270, resulting from timing differences in the receipt of monies. Grants and entitlements not restricted for specific purposes increased by \$54,778 while investment earnings decreased by \$111,989 due to a significant decrease in the interest rates the School District was receiving on its certificates of deposits and investments.

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Unaudited

Business-Type Activities

The School District's business-type activities consist of adult education, customer services and uniform school supplies. These programs had revenues and transfers in of \$503,606 and expenses of \$364,154 for fiscal year 2003. Of the revenues, \$265,869 was charges for services and \$77,737 was from State and Federal grants. The remaining \$160,000 were transfers received from the General Fund. Business activities receive no support from tax revenues. Of the \$160,000 that was transferred from the General Fund, \$150,000 was receipted into the Adult Education Proprietary Fund to support the operations of the program. The Board of Education feels a strong need to support the operations of the adult education program. The Board feels the residents support the operations of the School District in the form of tax levies and adult education allows us to provide services of continuing education at an affordable cost to the residents of our community. The School District will continue to monitor the charges and costs of these activities.

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$5,713,191 and expenditures and other financing uses of \$5,194,615. The net change in fund balance for the year was most significant in the permanent improvement capital projects fund, an increase of \$281,653. This increase was primarily due to the reduction of expenditures in permanent improvements due to the anticipation of a decision from the Ohio School Facilities Commission on the replacement or repair of the existing building.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2003 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the general fund original and final budgeted amounts is listed on page 20, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

The School District's ending unobligated cash balance in the General Fund was \$258,352 above the final budgeted amount.

Southern Hills Joint Vocational School District
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Debt

At June 30, 2003, the School District had no outstanding debt.

Capital Assets

At the end of fiscal year 2003 the School District had \$3,729,348 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles, \$3,720,557 of which was related to governmental activities. Table 4 shows fiscal year 2003 balances compared to 2002:

(Table 4)
 Capital Assets at June 30
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$68,701	\$68,701	\$0	\$0	\$68,701	\$68,701
Construction in Progress	0	58,994	0	0	0	58,994
Land Improvements	28,973	42,985	0	0	28,973	42,985
Buildings and Improvements	2,243,074	2,274,562	0	0	2,243,074	2,274,562
Furniture and Equipment	1,353,887	1,358,863	8,791	5,734	1,362,678	1,364,597
Vehicles	25,922	38,336	0	0	25,922	38,336
Totals	\$3,720,557	\$3,842,441	\$8,791	\$5,734	\$3,729,348	\$3,848,175

Net Capital Assets decreased from the prior year. This was primarily due to depreciation and disposals exceeding purchased improvements, furniture and equipment and vehicles.

In prior years, construction in progress existed relating to a bus garage that was being constructed by carpentry students on the School District campus. This project was completed during fiscal year 2003 and was included in the capital assets of the School District.

For more information on Capital Assets, refer to the notes to the basic financial statements (Note 9).

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Current Issues

The Southern Hills Joint Vocational School District is financially stable and has been over the past decade. The School District is very proud of the fact that only one additional operating levy has been needed since the district began operations in 1975. The School District is currently ranked second poorest among joint vocational school districts in the State. Although the School District is considered low wealth, it provides a quality education for its students, with five vocational programs receiving national accreditation. The School District currently has twelve vocational programs housed at the Career Center and nine satellite programs at the local schools, with a total student population of over one thousand students served by the School District.

The Southern Hills Joint Vocational School District depends dramatically on the State of Ohio School funding system with around sixty percent of the schools operating budget supplied by the State. This factor concerns the School District, since the Ohio Supreme Court, in March, 1997, declared the State of Ohio to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". However, the Court said that the system could be constitutional if the Ohio Legislature would correct some portions of the funding system. As this document goes to print, the State has not complied with the Court order. This uncertainty causes difficulties in planning and developing a sound five-year forecast.

The current building was constructed in 1975 and is in need of some major repairs and updates. Attempts have been made to secure state and federal grants, however, at this time no assistance has been received. Currently the School District is listed second on the Ohio Schools Facilities Commission's list for state assistance to Ohio Joint Vocational School Districts based on property valuations per pupil. The State is in the process of developing procedures and allocation methods for distribution of those funds. The Ohio Schools Facilities Commission is in the process of completing an analysis of the school building to determine the needs for replacement or repair of the facility. The School District has been told that the analysis should be complete before the end of December 2003. The School District is not certain, at this point, if it will be necessary to levy local tax assistance to obtain the State funding. Once legislation provides clarity to these issues an evaluation of the current building structure will be performed to determine if renovations will be made to the current facility or a new building will be constructed.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Michael Boyd, Treasurer at Southern Hills Joint Vocational School District, 9193 Hamer Road, Georgetown, Ohio 45121 or e-mail at mike_shc@scoca-k12.org.

Southern Hills Joint Vocational School District

Statement of Net Assets

June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,826,756	\$664,478	\$5,491,234
Materials and Supplies Inventory	50,557	2,448	53,005
Accrued Interest Receivable	45,188	0	45,188
Internal Balances	11,050	(11,050)	0
Intergovernmental Receivable	141,532	12,391	153,923
Prepaid Items	34,433	0	34,433
Property Taxes Receivable	1,872,597	0	1,872,597
Capital Assets:			
Land	68,701	0	68,701
Depreciable Capital Assets, Net	3,651,856	8,791	3,660,647
<i>Total Assets</i>	<u>10,702,670</u>	<u>677,058</u>	<u>11,379,728</u>
Liabilities			
Accounts Payable	43,995	2,275	46,270
Accrued Wages and Benefits	376,049	12,440	388,489
Contracts Payable	591	0	591
Matured Compensated Absences Payable	47,575	0	47,575
Special Termination Benefits Payable	30,000	0	30,000
Intergovernmental Payable	62,054	2,488	64,542
Deferred Revenue	1,479,987	0	1,479,987
Long-Term Liabilities:			
Due Within One Year	21,093	0	21,093
Due in More Than One Year	118,802	0	118,802
<i>Total Liabilities</i>	<u>2,180,146</u>	<u>17,203</u>	<u>2,197,349</u>
Net Assets			
Invested in Capital Assets	3,720,557	8,791	3,729,348
Restricted for Capital Outlay	1,652,749	0	1,652,749
Restricted for Other Purposes	469,180	0	469,180
Unrestricted	2,680,038	651,064	3,331,102
<i>Total Net Assets</i>	<u><u>\$8,522,524</u></u>	<u><u>\$659,855</u></u>	<u><u>\$9,182,379</u></u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$143,681	\$12,035	\$2,409	\$0
Vocational	2,947,334	0	1,109,402	2,927
Support Services:				
Pupils	310,476	15,500	157,251	0
Instructional Staff	122,202	0	22,172	0
Board of Education	30,652	0	0	0
Administration	374,406	0	0	0
Fiscal	295,554	0	0	0
Business	16,112	0	0	0
Operation and Maintenance of Plant	492,466	0	1,550	516
Pupil Transportation	41,998	0	0	0
Central	49,797	0	36,015	0
Operation of Non-Instructional Services:				
Other	3,080	0	0	0
Food Service Operations	187,682	74,044	38,800	0
Extracurricular Activities	17,761	0	0	0
<i>Total Governmental Activities</i>	<u>5,033,201</u>	<u>101,579</u>	<u>1,367,599</u>	<u>3,443</u>
Business-Type Activities				
Adult Education	280,506	136,797	77,737	0
Customer Services	55,538	103,886	0	0
Uniform Supply	28,110	25,186	0	0
<i>Total Business-Type Activities</i>	<u>364,154</u>	<u>265,869</u>	<u>77,737</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$5,397,355</u>	<u>\$367,448</u>	<u>\$1,445,336</u>	<u>\$3,443</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net(Expense)Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$129,237)		(\$129,237)
(1,835,005)		(1,835,005)
(137,725)		(137,725)
(100,030)		(100,030)
(30,652)		(30,652)
(374,406)		(374,406)
(295,554)		(295,554)
(16,112)		(16,112)
(490,400)		(490,400)
(41,998)		(41,998)
(13,782)		(13,782)
(3,080)		(3,080)
(74,838)		(74,838)
(17,761)		(17,761)
<u>(3,560,580)</u>		<u>(3,560,580)</u>
	(\$65,972)	(65,972)
	48,348	48,348
	<u>(2,924)</u>	<u>(2,924)</u>
	(20,548)	(20,548)
<u>(3,560,580)</u>	<u>(20,548)</u>	<u>(\$3,581,128)</u>
1,599,305	0	1,599,305
135,191	0	135,191
2,293,052	0	2,293,052
166,663	0	166,663
14,936	0	14,936
(160,000)	160,000	0
<u>4,049,147</u>	<u>160,000</u>	<u>4,209,147</u>
488,567	139,452	628,019
<u>8,033,957</u>	<u>520,403</u>	<u>8,554,360</u>
<u>\$8,522,524</u>	<u>\$659,855</u>	<u>\$9,182,379</u>

Southern Hills Joint Vocational School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Permanent Improvement	Vocational Education Equipment	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,719,626	\$682,045	\$897,069	\$507,719	\$4,806,459
Materials and Supplies Inventory	44,146	0	0	6,411	50,557
Accrued Interest Receivable	0	43,471	0	1,717	45,188
Interfund Receivable	179,800	0	0	0	179,800
Intergovernmental Receivable	0	0	0	141,532	141,532
Prepaid Items	26,933	0	0	7,500	34,433
Property Taxes Receivable	1,726,370	146,227	0	0	1,872,597
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	20,297	0	0	0	20,297
<i>Total Assets</i>	<u>\$4,717,172</u>	<u>\$871,743</u>	<u>\$897,069</u>	<u>\$664,879</u>	<u>\$7,150,863</u>
Liabilities					
Accounts Payable	\$33,158	\$406	\$0	\$10,431	\$43,995
Accrued Wages and Benefits	363,181	0	0	12,868	376,049
Contracts Payable	0	0	0	591	591
Matured Compensated Absences Payable	47,575	0	0	0	47,575
Interfund Payable	0	0	0	168,750	168,750
Special Termination Benefits Payable	30,000	0	0	0	30,000
Intergovernmental Payable	51,422	0	0	1,501	52,923
Deferred Revenue	1,482,029	163,582	0	45,185	1,690,796
<i>Total Liabilities</i>	<u>2,007,365</u>	<u>163,988</u>	<u>0</u>	<u>239,326</u>	<u>2,410,679</u>
Fund Balances					
Reserved for Encumbrances	38,145	3,697	3,995	59,379	105,216
Reserved for Property Taxes	214,868	18,875	0	0	233,743
Reserved for Budget Stabilization	20,297	0	0	0	20,297
Unreserved:					
Undesignated, Reported in:					
General Fund	2,436,497	0	0	0	2,436,497
Special Revenue Funds	0	0	0	366,174	366,174
Capital Projects Funds	0	685,183	893,074	0	1,578,257
<i>Total Fund Balances</i>	<u>2,709,807</u>	<u>707,755</u>	<u>897,069</u>	<u>425,553</u>	<u>4,740,184</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,717,172</u>	<u>\$871,743</u>	<u>\$897,069</u>	<u>\$664,879</u>	<u>\$7,150,863</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances \$4,740,184

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets	9,358,437	
Accumulated depreciation	(5,637,880)	
Total capital assets	3,720,557	3,720,557

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Taxes	127,210	
Intergovernmental	43,668	
Interest	39,931	
	210,809	210,809

Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (9,131)

Compensated absences are not due and payable in the current period and therefore are not reported in the funds. (139,895)

Net Assets of Governmental Activities **\$8,522,524**

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2003

	General	Permanent Improvement	Vocational Education Equipment	All Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$1,539,037	\$130,675	\$0	\$0	\$1,669,712
Intergovernmental	3,249,934	16,232	18,391	332,204	3,616,761
Interest	0	169,053	0	6,794	175,847
Tuition and Fees	11,990	0	0	0	11,990
Rent	4,972	0	0	0	4,972
Gifts and Donations	5,095	0	0	0	5,095
Customer Sales and Services	45	0	0	89,544	89,589
Miscellaneous	7,150	149	0	41,252	48,551
<i>Total Revenues</i>	<u>4,818,223</u>	<u>316,109</u>	<u>18,391</u>	<u>469,794</u>	<u>5,622,517</u>
Expenditures					
Current:					
Instruction:					
Regular	137,486	0	0	0	137,486
Vocational	2,791,510	1,606	33,073	116,717	2,942,906
Support Services:					
Pupils	158,391	0	0	146,584	304,975
Instructional Staff	64,917	0	0	30,784	95,701
Board of Education	30,306	0	0	0	30,306
Administration	359,163	0	0	4,549	363,712
Fiscal	284,910	5,124	0	0	290,034
Business	16,059	0	0	0	16,059
Operation and Maintenance of Plant	459,377	3,480	5,990	1,535	470,382
Pupil Transportation	24,804	0	0	0	24,804
Central	22,988	0	0	22,649	45,637
Operation of Non-Instructional Services:					
Other	3,080	0	0	0	3,080
Food Service Operations	0	0	0	178,477	178,477
Extracurricular Activities	17,761	0	0	0	17,761
Capital Outlay	4,049	24,246	0	0	28,295
<i>Total Expenditures</i>	<u>4,374,801</u>	<u>34,456</u>	<u>39,063</u>	<u>501,295</u>	<u>4,949,615</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>443,422</u>	<u>281,653</u>	<u>(20,672)</u>	<u>(31,501)</u>	<u>672,902</u>
Other Financing Sources and Uses					
Transfers-In	0	0	0	85,000	85,000
Proceeds from Sale of Fixed Assets	5,674	0	0	0	5,674
Transfers-Out	(245,000)	0	0	0	(245,000)
<i>Total Other Financing Sources and Uses</i>	<u>(239,326)</u>	<u>0</u>	<u>0</u>	<u>85,000</u>	<u>(154,326)</u>
<i>Net Change in Fund Balances</i>	204,096	281,653	(20,672)	53,499	518,576
<i>Fund Balance at Beginning of Year</i>	<u>2,505,711</u>	<u>426,102</u>	<u>917,741</u>	<u>372,054</u>	<u>4,221,608</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,709,807</u></u>	<u><u>\$707,755</u></u>	<u><u>\$897,069</u></u>	<u><u>\$425,553</u></u>	<u><u>\$4,740,184</u></u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
*Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds \$518,576

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Fixed asset additions	374,447	
Depreciation expense	<u>(400,902)</u>	
Excess of capital outlay over depreciation expense		(26,455)

The proceeds from the sale of fixed assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of fixed assets resulting in a loss on the sale of fixed assets in the statement of activities.

Proceeds from Sale of Capital Assets	(5,674)	
Loss on Disposal of Capital Assets	<u>(89,755)</u>	
		(95,429)

Because, some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent Property Taxes	64,784	
Intergovernmental	3,651	
Interest	<u>(9,184)</u>	
		59,251

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	26,888	
Decrease in intergovernmental payable	<u>5,736</u>	
Total additional expenditures		<u>32,624</u>

Change in Net Assets of Governmental Activities \$488,567

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property and Other Local Taxes	\$1,597,944	\$1,544,926	\$1,544,926	\$0
Intergovernmental	2,634,791	3,248,965	3,249,934	969
Tuition and Fees	7,157	8,825	11,990	3,165
Rent	3,893	4,800	4,972	172
Gifts and Donations	4,132	5,095	5,095	0
Customer Sales and Services	8,110	10,000	45	(9,955)
Miscellaneous	11	14	14	0
<i>Total Revenues</i>	<u>4,256,037</u>	<u>4,822,625</u>	<u>4,816,976</u>	<u>(5,649)</u>
Expenditures				
Current:				
Instruction:				
Regular	138,376	141,026	136,267	4,759
Vocational	2,864,265	2,975,114	2,788,722	186,392
Support Services:				
Pupils	148,000	159,358	155,281	4,077
Instructional Staff	65,256	66,460	64,330	2,130
Board of Education	51,244	37,844	32,390	5,454
Administration	359,434	359,096	353,792	5,304
Fiscal	255,831	296,956	292,134	4,822
Business	20,600	16,298	16,059	239
Operation and Maintenance of Plant	471,889	497,845	468,923	28,922
Pupil Transportation	20,578	25,194	24,811	383
Central	25,721	32,221	26,959	5,262
Operation of Non-Instructional Services	6,500	6,500	3,080	3,420
Capital Outlay	0	5,250	4,049	1,201
<i>Total Expenditures</i>	<u>4,427,694</u>	<u>4,619,162</u>	<u>4,366,797</u>	<u>252,365</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(171,657)</u>	<u>203,463</u>	<u>450,179</u>	<u>246,716</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	1,175	5,674	4,499
Refund of Prior Year Expenditures	0	8	7,136	7,128
Advances-In	0	135,000	135,000	0
Transfers-Out	(310,515)	(262,115)	(262,106)	9
Advances-Out	(85,000)	(177,155)	(177,155)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(395,515)</u>	<u>(303,087)</u>	<u>(291,451)</u>	<u>11,636</u>
<i>Net Change in Fund Balance</i>	(567,172)	(99,624)	158,728	258,352
<i>Fund Balance Beginning of Year</i>	2,254,601	2,254,601	2,254,601	0
<i>Prior Year Encumbrances Appropriated</i>	<u>256,621</u>	<u>256,621</u>	<u>256,621</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,944,050</u>	<u>\$2,411,598</u>	<u>\$2,669,950</u>	<u>\$258,352</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Fund Net Assets
Enterprise Funds
June 30, 2003

	<u>Adult Education</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$487,001	\$177,477	\$664,478
Materials and Supplies Inventory	0	2,448	2,448
Intergovernmental Receivable	12,391	0	12,391
	<u>499,392</u>	<u>179,925</u>	<u>679,317</u>
<i>Total Current Assets</i>			
Capital Assets, Net	<u>8,791</u>	<u>0</u>	<u>8,791</u>
<i>Total Assets</i>	<u>508,183</u>	<u>179,925</u>	<u>688,108</u>
Liabilities			
Current Liabilities:			
Accounts Payable	173	2,102	2,275
Accrued Wages and Benefits	12,440	0	12,440
Interfund Payable	0	11,050	11,050
Intergovernmental Payable	2,488	0	2,488
	<u>15,101</u>	<u>13,152</u>	<u>28,253</u>
<i>Total Liabilities</i>			
Net Assets			
Invested in Capital Assets	8,791	0	8,791
Unrestricted	484,291	166,773	651,064
	<u>\$493,082</u>	<u>\$166,773</u>	<u>\$659,855</u>
<i>Total Net Assets</i>			

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Fiscal Year Ended June 30, 2003

	<u>Adult Education</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
Operating Revenues			
Tuition	\$136,797	\$0	\$136,797
Sales	0	30,081	30,081
Charges for Services	0	98,991	98,991
	<u>136,797</u>	<u>129,072</u>	<u>265,869</u>
<i>Total Operating Revenues</i>			
Operating Expenses			
Salaries	189,126	0	189,126
Fringe Benefits	54,330	0	54,330
Purchased Services	6,053	1,551	7,604
Materials and Supplies	29,708	82,097	111,805
Depreciation	1,209	0	1,209
Other	80	0	80
	<u>280,506</u>	<u>83,648</u>	<u>364,154</u>
<i>Total Operating Expenses</i>			
<i>Operating Income (Loss)</i>	(143,709)	45,424	(98,285)
Non-Operating Revenues			
Federal and State Subsidies	<u>77,737</u>	<u>0</u>	<u>77,737</u>
<i>Income (Loss) Before Transfers</i>	(65,972)	45,424	(20,548)
Transfers-In	<u>150,000</u>	<u>10,000</u>	<u>160,000</u>
<i>Change in Net Assets</i>	84,028	55,424	139,452
<i>Net Assets Beginning of Year</i>	<u>409,054</u>	<u>111,349</u>	<u>520,403</u>
<i>Net Assets End of Year</i>	<u>\$493,082</u>	<u>\$166,773</u>	<u>\$659,855</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2003

	Adult Education	Other Enterprise Funds	Total
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$0	\$129,072	\$129,072
Cash Received from Tuition Payments	136,797	0	136,797
Cash Payments to Suppliers for Goods and Services	(36,201)	(76,096)	(112,297)
Cash Payments to Employees for Services	(184,806)	0	(184,806)
Cash Payments for Employee Benefits	(55,802)	0	(55,802)
	<u>(140,012)</u>	<u>52,976</u>	<u>(87,036)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>			
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	78,204	0	78,204
Operating Transfers In	150,000	10,000	160,000
	<u>228,204</u>	<u>10,000</u>	<u>238,204</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>			
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(4,266)	0	(4,266)
	<u>(4,266)</u>	<u>0</u>	<u>(4,266)</u>
<i>Net Increase in Cash and Cash Equivalents</i>			
Cash and Cash Equivalents at Beginning of Year	403,075	114,501	517,576
	<u>\$487,001</u>	<u>\$177,477</u>	<u>\$664,478</u>
<i>Cash and Cash Equivalents at End of Year</i>			
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	(\$143,709)	\$45,424	(\$98,285)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	1,209	0	1,209
<u>Changes in Assets and Liabilities:</u>			
Decrease in Materials and Supplies Inventory	0	5,707	5,707
Decrease (Increase) in Accounts Payable	(251)	1,845	1,594
Increase in Accrued Wages and Benefits	2,817	0	2,817
Decrease in Contracts Payable	(109)	0	(109)
Increase in Intergovernmental Payable	31	0	31
	<u>3,697</u>	<u>7,552</u>	<u>11,249</u>
<i>Total Adjustments</i>			
	<u>(\$140,012)</u>	<u>\$52,976</u>	<u>(\$87,036)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>			

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,039	\$22,944
Liabilities		
Undistributed Monies	0	\$22,944
Net Assets		
Held in Trust for Scholarships	4,039	
<i>Total Net Assets</i>	\$4,039	

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003

	Private Purpose Trust
	Scholarship
Additions	
Contributions	\$1,369
Deductions	
Scholarships Awarded	1,000
<i>Change in Net Assets</i>	369
<i>Net Assets Beginning of Year</i>	3,670
<i>Net Assets End of Year</i>	\$4,039

See accompanying notes to the basic financial statement.

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SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Southern Hills Joint Vocational School District (the “School District”) is a distinct political subdivision of the State of Ohio operated under the direction of a seven-member Board of Education. The Board of Education is not directly elected. The Board of Education is comprised of members of other elected boards who, by charter, also serve as board members of the Southern Hills Joint Vocational School. The School District provides educational services as authorized by State statute and or federal guidelines.

A board member is appointed by each local board of education within the Joint Vocational School District. The board is appointed by the boards of Georgetown Exempted Village School District and Western Brown, Eastern, Fayetteville Perry and Ripley-Union-Lewis-Huntington Local School Districts. Bright Local School District has assigned their appointment to the Highland-Clinton-Fayette Educational Service District and the Brown County Educational Service Center makes the final appointment to the Board. The Joint Vocational School is responsible for levying taxes, approving its own budget, appointing personnel, and accounting and finance related activities. The School District provides educational services as authorized by State statute and or federal guidelines.

The School District, located in Brown County, was established in 1970 and includes all of Brown County and Bright Local School District in Highland County. The School District serves an area of approximately 634 square miles. It is staffed by 21 non-certificated and 39 certificated teaching personnel and administrative employees providing education to 431 secondary students and 1,788 adult students.

Reporting Entity

The reporting entity consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Southern Hills Joint Vocational School District, this includes general operations, food service, continuing 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 has no component units.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

The School District participates in four organizations, two of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a public entity shared risk and insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Coalition of Rural and Appalachian Schools, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan and the Brown County Schools Benefits Consortium. These organizations are presented in Notes 16, 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southern Hills 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business type activities and enterprise funds. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds

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

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.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent Improvement Capital Projects Fund – This fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, of the Ohio Revised Code.

Vocational Education Equipment Capital Projects Fund – This fund accounts for resources received and expended for the replacement and updating of equipment essential for the instruction of students in job skills.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no internal service funds.

Enterprise Funds - Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. The following is the School District's major enterprise fund:

Adult Education – This fund accounts for revenues received and expended in connection with adult education classes.

The other enterprise funds of the School District account for revenues received from the sale of school supplies and charges for classroom fees expended to support the programs.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund, and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer and faculty advisor.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities reports increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Nonexchange 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 7). 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 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 nonexchange 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 year-end: property taxes available for advance, grants and interest.

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. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2003, the School District's investments were limited to nonnegotiable certificates of deposit, repurchase agreements, State Treasury Assets Reserve of Ohio (STAROhio), negotiable certificates of deposits, Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds and Federal National Mortgage Association Bonds. 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.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

F. Interfund Balances

On fund financial statements, outstanding interfund loans are reported as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business type activities, which are presented as internal balances.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories consist of purchased food held for resale and consumable supplies.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital 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 possess any infrastructure. Improvements are capitalized; 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15 years	N/A
Buildings and Improvements	20 - 50 years	N/A
Furniture and Equipment	8 - 10 years	10 - 20 years
Vehicles	10 years	N/A
Textbooks	5 years	N/A

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees have accumulated leave are paid.

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the enterprise funds are reported in the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

L. Fund Balance Reserves

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

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2003. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and other nonoperating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition, sales and charges for services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. 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.

Q. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

R. 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.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the School District has implemented GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences.” GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. GASB Statement No. 41 had no effect on the presentation of the School District’s financial statements for fiscal 2003.

NOTE 4 - ACCOUNTABILITY

At June 30, 2003, the Tech Prep Grant Special Revenue fund had a deficit fund balance of \$10,262. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the General Fund is 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$204,096
Adjustments:	
Revenue Accruals	5,889
Expenditure Accruals	77,977
Transfers	(17,106)
Advances	(42,155)
Encumbrances	(69,973)
Budget Basis	<u>\$158,728</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of 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 monies deposited with the institution.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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 any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 (STAROhio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date 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.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Cash on Hand: At year end, the School District had \$800 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 fiscal year-end, the carrying amount of the School District's deposits was \$1,362,170 and the bank balance was \$1,563,281. Of the bank balance, \$993,000 was covered by federal depository insurance and \$570,281 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and 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 Federal Deposit Insurance Corporation.

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 which 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 School District's investments in STAROhio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Unclassified</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying and Fair Value</u>
Repurchase Agreement	\$0	\$0	\$0	\$2,176,033	\$2,176,033
STAROhio	313,433	0	0	0	313,433
Negotiable Certificates of Deposit	0	694,422	0	0	694,422
Federal Home Loan Mortgage Corporation Bonds	0	0	165,624	0	165,624
Federal Home Loan Bank Bonds	0	0	550,970	0	550,970
Federal National Mortgage Association Bonds	0	0	254,765	0	254,765
Totals	<u>\$313,433</u>	<u>\$694,422</u>	<u>\$971,359</u>	<u>\$2,176,033</u>	<u>\$4,155,247</u>

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

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the basic 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 9	\$5,518,217	\$0
Cash on Hand	(800)	0
Investments:		
Repurchase Agreement	(2,176,033)	2,176,033
STAROhio	(313,433)	313,433
Negotiable Certificates of Deposit	(694,422)	694,422
Federal Home Loan Mortgage Corporation Bonds	(165,624)	165,624
Federal Home Loan Bank Bonds	(550,970)	550,970
Federal National Mortgage Association Bonds	(254,765)	254,765
GASB Statement 3	<u>\$1,362,170</u>	<u>\$4,155,247</u>

NOTE 7 - 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 (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market 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.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2003 tangible personal property tax settlement was not received until July 2003.

The School District receives property taxes from Adams, Brown, Clinton and Highland Counties. The County Auditors periodically advance 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 includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax, collectible delinquent taxes and the amount of real property taxes 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 at June 30, 2003, was \$214,868 in the general fund and \$18,875 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$230,222 in the general fund and \$20,116 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES (continued)

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	\$472,097,070	85.80%	\$502,628,430	89.64%
Public Utility	53,935,710	9.80%	31,802,800	5.67%
Tangible Personal Property	24,214,909	4.40%	26,271,170	4.69%
Total Assessed Value	<u>\$550,247,689</u>	<u>100.00%</u>	<u>\$560,702,400</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$5.80		\$5.80	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of interest, interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivable amounts are expected to be received within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Vocational Education	\$15,847
Vocational Education Equipment	120,616
Title VI	1,975
Drug Free Schools	1,266
Improving Teacher Quality	1,828
Total Governmental Activities	<u>\$141,532</u>
Business-Type Activities	
Adult Education	<u>12,391</u>
Total Intergovernmental Receivables	<u>\$153,923</u>

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was

	Ending Balance 6/30/2002	Additions	Deletions	Ending Balance 6/30/2003
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$68,701	\$0	\$0	\$68,701
Construction in Progress	58,994	0	(58,994)	0
Total Capital Assets, Not Being Depreciated	<u>127,695</u>	<u>0</u>	<u>(58,994)</u>	<u>68,701</u>
Capital Assets Being Depreciated				
Land Improvements	363,980	1,400	0	365,380
Buildings and Improvements	5,138,400	69,601	0	5,208,001
Furniture and Equipment	3,673,419	362,440	(505,078)	3,530,781
Vehicles	185,574	0	0	185,574
Total Capital Assets, Being Depreciated	<u>9,361,373</u>	<u>433,441</u>	<u>(505,078)</u>	<u>9,289,736</u>
Less Accumulated Depreciation:				
Land Improvements	(320,995)	(15,412)	0	(336,407)
Buildings and Improvements	(2,863,838)	(101,089)	0	(2,964,927)
Furniture and Equipment	(2,314,556)	(271,987)	409,649	(2,176,894)
Vehicles	(147,238)	(12,414)	0	(159,652)
Total Accumulated Depreciation	<u>(5,646,627)</u>	<u>(400,902) *</u>	<u>409,649</u>	<u>(5,637,880)</u>
Total Capital Assets Being Depreciated, Net	<u>3,714,746</u>	<u>32,539</u>	<u>(95,429)</u>	<u>3,651,856</u>
Governmental Activities Capital Assets, Net	<u>\$3,842,441</u>	<u>\$32,539</u>	<u>(\$154,423)</u>	<u>\$3,720,557</u>

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$8,174
Vocational	292,749
Support Services:	
Pupil	7,197
Instructional Staff	29,972
Board of Education	315
Administration	7,520
Fiscal	3,338
Operation and Maintenance of Plant	21,931
Pupil Transportation	17,005
Central	4,160
Operation of Non-Instruction Services:	
Food Services	8,541
Total Depreciation Expense	<u><u>\$400,902</u></u>

	Balance			Balance
	6/30/2002	Additions	Deletions	6/30/2003
Business-Type Activities				
Furniture and Equipment	\$36,815	\$4,266	(\$671)	\$40,410
Less Accumulated Depreciation	(31,081)	(1,209)	671	(31,619)
Business-Type Activities Capital Assets, Net	<u><u>\$5,734</u></u>	<u><u>\$3,057</u></u>	<u><u>\$0</u></u>	<u><u>\$8,791</u></u>

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 10 - 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 2003, the School District contracted with Selective Insurance Company for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate. Property is protected by the Indiana Insurance Company and holds a \$1,000 deductible with a \$12,063,575 limit. The School District's vehicles are covered by the Auto-Owners Insurance under a business policy and hold a \$350 deductible for comprehensive and collision with a \$1,000,000 limit on any accident. School Board errors and omissions coverage is provided by Marsh USA, Inc. and has a \$1,000,000 limit. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2003, the School District participated in the Ohio Association of School Business Officials 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 Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical and Dental Benefits

The School District participated in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 18) consisting of six districts. The School District has elected to have Medical Mutual provide medical coverage and the dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rate payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions relating to the medical insurance and all claims related to dental of its employees from the date of termination, regardless of the date such claims were incurred.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 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 at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$50,503, \$32,000, and \$22,647, respectively; 96.26 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001.

B. State Teachers Retirement System

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

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 20, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$311,169, \$194,045, and \$221,111, respectively; 85.84 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$45 made by the School District and \$144 made by the plan members.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$23,381 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$41,796.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (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.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each year under contract. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 56.25 days for all personnel.

B. Other Employee Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Jefferson Pilot Insurance Company. Vision insurance is provided to the School District by Vision Service Plan.

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/02	Additions	Deductions	Amount Outstanding 6/30/03	Amounts Due in One Year
<u>Governmental Activities:</u>					
Compensated Absences	<u>\$166,783</u>	<u>\$16,600</u>	<u>\$43,488</u>	<u>\$139,895</u>	<u>\$21,093</u>

Compensated absences will be paid from the general fund.

The School District's overall legal debt margin was \$50,463,216 with an unvoted debt margin of \$560,702 at June 30, 2003.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - INTERFUND ACTIVITY

A. Interfund Receivables/Payables

As of June 30, 2003, interfund receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
		<u>General Fund</u>
Payable	All Other Nonmajor Governmental Funds	\$168,750
	All Other Nonmajor Enterprise Funds	<u>11,050</u>
	Total	<u><u>\$179,800</u></u>

The amounts due to the general fund from other nonmajor governmental funds are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The general fund will be reimbursed when funds become available in the nonmajor governmental funds.

The amount due to the general fund from other nonmajor enterprise funds is the result of an advance made from the general fund to a nonmajor enterprise fund. These monies were advanced to the rotary fund to purchase materials for use in construction of a house by the carpentry students, which was later auctioned to raise money to cover the operating expenses of the program.

B. Interfund Transfers

Transfers made during the year ended June 30, 2003 were as follows:

		Transfers From
		<u>General Fund</u>
Transfers To	All Other Nonmajor Governmental Funds	\$85,000
	Adult Education	150,000
	All Other Nonmajor Enterprise Funds	<u>10,000</u>
	Totals	<u><u>\$245,000</u></u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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, Vinton, Jackson, 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 in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$24,139 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

NOTE 17 – INSURANCE PURCHASING POOL

Ohio Association of School Business Officials 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 Association of School Business Officials Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a five member Board of Directors. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 18 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL

The Brown County Schools Benefits Consortium – The Brown County Schools Benefits Consortium, a public entity risk and insurance purchasing pool, currently operates to provide health insurance (insurance purchasing pool) and dental coverage (public entity risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley-Union-Lewis-Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the consortium are to formulate and administer a program of health and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with Medical Mutual of Ohio to provide medical insurance directly to consortium member employees. The School District pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, CoreSource. Participating member district's pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND 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 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 School District is no longer required to set aside funds in the budget reserve set-aside, with the exception of refunds received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

The following cash basis 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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2002	(\$261,000)	\$0	\$20,297
Current Year Set-aside Replacement	62,947	62,947	0
Qualifying Disbursements	(191,435)	(345,615)	0
Totals	<u>(389,488)</u>	<u>(282,668)</u>	<u>20,297</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$20,297</u>
Required Set-aside Balances Carried Forward to FY 2003	<u>(\$389,488)</u>	<u>\$0</u>	<u>\$20,297</u>

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

NOTE 20 – 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 decision 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 on its financial operations.

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 21 - 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, 2003.

B. Litigation

There are currently no matters in litigation with the School District as defendant.



**Auditor of State
Betty Montgomery**

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

Southern Hills Joint Vocational School District
Brown County
9193 Hamer Road
Georgetown, Ohio 45121

To the Board:

We have audited the basic financial statements of the Southern Hills Joint Vocational School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 14, 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, that we have reported to management of the District in a separate letter dated December 14, 2003.

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 internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 14, 2003.

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.

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

Betty Montgomery
Auditor of State

December 14, 2003

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2002-10408-001	The District did not certify funds prior to making some expenditures as required by Rev. Code Section 5705.41(D).	No	Partially corrected. Reissued in Management Letter.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT

BROWN 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 27, 2004**