



**Auditor of State  
Betty Montgomery**



VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT

Vinton County Local School District  
Vinton County  
307 West High Street  
McArthur, Ohio 45651

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Vinton County Local School District, Vinton County, Ohio (the District) as of and for the 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Vinton County Local School District, Vinton County, as of June 30, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments*. Also, as mentioned in Note 3, during the year ended June 30, 2003, the District adopted Governmental Accounting Statements 37 and 38 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2004 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.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

March 29, 2004

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

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The discussion and analysis of the Vinton County Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

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 Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Financial Highlights**

- ▶ The assets of Vinton County Local School District exceeded its liabilities at June 30, 2003 by \$28,207,947. Of this amount, \$20,998,210 represents the total net assets that are invested in capital assets, net of related debt and that are restricted for specific purposes. The remaining \$7,209,737 represents unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$1,188,771, which represents a 4.4 percent increase from 2002.
- ▶ General revenues accounted for \$20,779,726 or 91.43 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,947,734 or 8.57 percent of total revenues of \$22,727,460.
- ▶ The District had \$21,538,689 in expenses related to governmental activities; only \$1,947,734 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$20,779,726 were used to provide for the remainder of these programs.
- ▶ The District recognizes one major governmental fund: the General Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$17,155,011 in revenues and other financing sources, and \$16,273,589 in expenditures in fiscal year 2003.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Vinton County Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

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This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

**Reporting the District as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. 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.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some item that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the District's major funds begins on page 16. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the General Fund.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

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A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of two categories: governmental and fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Fiduciary Funds**

The District's only fiduciary fund is an agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

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**Government-Wide Financial Analysis**

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2003 compared to fiscal year 2002:

Table 1  
**Net Assets**

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<b><u>Assets:</u></b>		
Current and Other Assets	\$15,662,123	\$15,014,790
Capital Assets, Net	23,224,876	22,616,880
<i>Total Assets</i>	<u>38,886,999</u>	<u>37,631,670</u>
<b><u>Liabilities:</u></b>		
Long-Term Liabilities	4,997,545	5,057,157
Other Liabilities	5,681,507	5,555,337
<i>Total Liabilities</i>	<u>10,679,052</u>	<u>10,612,494</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	18,810,970	18,112,906
Restricted	2,187,240	2,611,659
Unrestricted	7,209,737	6,294,611
<i>Total Net Assets</i>	<u>\$28,207,947</u>	<u>\$27,019,176</u>

Current and other assets increased \$647,333 from fiscal year 2002 due primarily to an increase in cash and cash equivalents held by the District. Capital assets increased by \$607,996 or 2.69 percent.

Current (other) liabilities increased by \$126,270 or 2.27 percent.

Long-term liabilities decreased by \$59,612 due to the retirement of principal on general obligation debt.

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. This accounts for 66.69 percent of net assets. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

The District's next largest portion of net assets is unrestricted. This accounts for 25.56 percent of net assets. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$2,187,240 or 7.75 percent is restricted net assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2003 since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available.

**Table 2  
Changes in Net Assets**

	Governmental Activities 2003
<i>Revenues:</i>	
<i>Program Revenue:</i>	
Charges for Services and Sales	\$360,405
Operating Grants and Contributions	1,587,329
<i>General Revenue:</i>	
Property Tax	3,223,685
Unrestricted Grants and Entitlements	16,631,031
Unrestricted Tuition and Fees	316,187
Unrestricted Contributions	32,701
Investment Earnings	240,007
Miscellaneous	336,115
<i>Total Revenues</i>	<u>22,727,460</u>
<i>Expenses:</i>	
<i>Program Expenses:</i>	
<i>Instruction:</i>	
Regular	8,729,856
Special	2,362,572
Vocational	187,488
Other	726,867

(Continued)

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

Table 2  
**Changes in Net Assets**

	<u>2003</u>
<i>Support Services:</i>	
Pupils	1,469,912
Instructional Staff	1,537,929
Board of Education	248,644
Administration	1,641,982
Fiscal	290,402
Business	4,103
Operation and Maintenance of Plant	1,459,022
Pupil Transportation	1,392,769
Central	8,711
<i>Operation of Non-Instructional Services:</i>	
Food Service	988,191
Extracurricular Activities	247,802
Interest and Fiscal Charges	<u>242,439</u>
<i>Total Expenses</i>	<u>21,538,689</u>
<i>Change in Net Assets</i>	1,188,771
Net Assets – Beginning of Year	<u>27,019,176</u>
Net Assets – End of Year	<u>\$28,207,947</u>

The most significant program expenses for the District are Regular Instruction, Special Instruction, Administration, Instructional Staff, Pupils, Operation and Maintenance of Plant, and Pupil Transportation. These programs account for 86.32 percent of the total governmental activities. Regular Instruction accounts for 40.53 percent of the total and represents costs associated with providing general educational services. Special Instruction accounts for 10.97 percent of the total and represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration accounts for 7.62 percent of the total and represents costs associated with the overall administrative responsibility for each building and the District as a whole. Instructional Staff accounts for 7.14 percent of the total and represents costs associated with assisting instructional staff with providing learning experiences for students. Pupils accounts for 6.82 percent of the total and represents costs associated with the assessment and improvement of the well-being of students. Operation and Maintenance of Plant accounts for 6.77 percent of the total and represents costs associated with operating and maintaining the District's facilities. Pupil Transportation accounts for 6.47 percent of the total and represents costs associated with providing transportation services for students between home and school and to school activities.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

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The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs account for 87.36 percent of total revenues.

**Governmental Activities**

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 12.73 percent and intergovernmental revenue made up 81.59 percent of the total revenue for our governmental funds in fiscal year 2003.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District voters approved a bond retirement tax levy for 3.82 mills in November 1997 as part of a \$5,010,000 bond issue for the construction of a new high school. Of the 3.82 mills, 3.32 mills is used for the retirement of the bonds and the remaining .5 mills is used for repairs and maintenance of the new facilities. In fiscal year 2003, this levy generated \$425,040 in tax revenue for debt service payments.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2003, the District received \$12,418,809 through the State's foundation program, which represents 54.83 percent of the total revenue for the governmental funds. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 55.75 percent of governmental program expenses. Support services expenses make up 37.39 percent of governmental expenses. The statement of activities shows the cost of program services and 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 for fiscal year 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

Table 3  
**Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2003</u>	<u>2003</u>
<i>Program Expenses:</i>		
Instruction	\$12,006,783	\$11,286,245
Support Services	8,053,474	7,675,625
Operation of Non-Instructional Services	988,191	201,405
Extracurricular Activities	247,802	185,241
Interest and Fiscal Charges	242,439	242,439
Total Expenses	<u>\$21,538,689</u>	<u>\$19,590,955</u>

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$22,741,665 and expenditures of \$22,286,376.

Total governmental funds experienced an increase of \$455,289 in fund balance. The increase in fund balance for the year was most significant in the General Fund which posted an \$881,422 increase. A decrease of \$426,133 in the other governmental funds made up the remaining change in the fund balance of the total governmental funds.

The District should remain stable in fiscal years 2003 through 2006. However, projections beyond fiscal year 2006 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**Budget Highlights - General Fund**

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

During the course of fiscal year 2003, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

The District prepares and monitors a detailed cash flow plan for the General Fund. Actual cash flow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

For the General Fund, the final budget basis estimate of revenue and other sources was \$17,297,102 representing a \$1,253,843 increase from the original budget estimate of \$16,043,259. The final budget reflected a 7.82 percent increase from the original budgeted amount. Most of this difference was due to estimates of intergovernmental revenue. For the General Fund, the final budget basis estimate of expenditures was \$18,093,567 representing an increase of \$2,608,953 from the original budget estimate of \$15,484,615. The final budget reflected a 16.85 percent increase from the original budgeted amount. Most of the difference is due to conservative estimates of appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2003, the District had \$23.2 million invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles, of which all was in governmental activities. That total carries an accumulated depreciation of \$7.7 million. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002.

Table 4  
**Capital Assets & Accumulated Depreciation at June 30, 2003**

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$977,320	\$977,320
<i>Depreciable Capital Assets:</i>		
Land Improvements	2,246,962	1,845,653
Buildings and Improvements	22,204,148	21,355,380
Furniture, Fixtures and Equipment	3,172,760	2,928,682
Vehicles	2,302,250	2,048,579
<i>Total Capital Assets</i>	<u>30,903,440</u>	<u>29,155,614</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	556,668	462,921
Buildings and Improvements	4,203,305	3,528,048
Furniture, Fixtures and Equipment	1,499,281	1,301,523
Vehicles	1,419,310	1,246,242
<i>Total Accumulated Depreciation</i>	<u>7,678,564</u>	<u>6,538,734</u>
Capital Assets, Net	<u>\$23,224,876</u>	<u>\$22,616,880</u>

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

More detailed information pertaining to the District's capital asset activity can be found in the notes to the basic financial statements.

**Debt Administration**

At June 30, 2003, the District had \$4,413,907 in general obligation bonds and capital leases outstanding with \$198,861 due within one year. Table 5 summarizes bonds and capital leases outstanding for fiscal year 2003 compared to fiscal year 2002.

Table 5  
**Outstanding Debt, Governmental Activities at Year End**

Purpose	2003	2002
General Obligation Bonds	\$4,300,000	\$4,450,000
Capital Leases	113,907	53,974
Total	\$4,413,907	\$4,503,974

More detailed information pertaining to the District's long-term debt activity can be found in the notes to the basic financial statements.

**Current Issues**

Although considered a mid-wealth district, Vinton County Local School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is heavily dependent on intergovernmental revenue. Over half of the District's funding is received through the State's foundation program, which along with other various grants and entitlements makes up over 80 percent of the District's revenue. The District relies on state and federal funding to operate at the current level of services. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning and the passage of a building levy have permitted the District to provide a quality education for our students along with renovated facilities for the future.

In the spring of 2002, the Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, in December of 2002 the Court again ruled in a split decision that the State's plan was not acceptable. The Ohio Supreme Court will have two new Justices beginning in calendar year 2003 and the new court may be called upon to address the issue. At this time there can be no reasonable estimate of these discussions or their impact on school funding.

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

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
(Unaudited)*

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The State Legislature has also made several significant changes impacting local taxes:

In 2003 the Ohio Legislature modified the provisions of the 1999 HB283. This bill was designed to reduce the assessed valuation of the inventory component of personal property tax from 25 percent to 0 percent by 2031. The modification speeds up the reduction of assessed valuation to be completed in half the original time.

Effective January 1, 2001 non-municipal owned electric utilities and rural cop-ops were deregulated in the State of Ohio. All electric company personal property were reduced from 100 percent assessed value (from 50 percent for rural co-ops) to 25 percent. (Distribution and transmission of personal property will continue to be assessed at 88 percent.) This significantly reduced revenues to certain school districts and moderately affects others.

Effective May 1, 2001 a kilowatt hour (KWH) tax began being collected. 37.8 percent of these new dollars would be deposited in a new Property Tax Replacement Fund (PTRF). 70 percent of the PTRF will be paid to school districts that lost revenue as determined by the Ohio Department of Taxation. First, distribution will be made to cover costs of fixed sum levies such as debt issues and emergency levies. Next, fixed rate levies would be replaced from 2002 through 2006; after this a phase out formula would begin.

The Vinton County Local School District does not anticipate any meaningful growth or loss in revenue as a result of these changes. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. Residential/agricultural property contributes 60 percent of the District's real estate valuation.

Commercial growth saw an increase in assessed valuation in calendar 2003. This was mainly due to increased valuation of the small businesses located throughout the District.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Tami Downard, Treasurer of Vinton County Local School Board of Education, 307 West High Street, McArthur, Ohio 45651.

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**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Statement of Net Assets*

*June 30, 2003*

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	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$11,592,659
Property Taxes Receivable	3,725,375
Intergovernmental Receivable	254,369
Accrued Interest Receivable	5,895
Prepaid Items	61,975
Inventory Held for Resale	21,850
Nondepreciable Capital Assets	977,320
Depreciable Capital Assets, Net	<u>22,247,556</u>
<i>Total Assets</i>	<u>38,886,999</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	34,798
Accrued Wages and Benefits	2,105,561
Contracts Payable	79,324
Intergovernmental Payable	504,769
Accrued Interest Payable	17,917
Deferred Revenue	2,939,138
<i>Long-Term Liabilities:</i>	
Due within One Year	272,238
Due in More Than One Year	<u>4,725,307</u>
<i>Total Liabilities</i>	<u>10,679,052</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	18,810,970
<i>Restricted for:</i>	
Debt Service	552,678
Capital Projects	968,737
Other Purposes	665,825
Unrestricted	<u>7,209,737</u>
<i>Total Net Assets</i>	<u><u>\$28,207,947</u></u>

See accompanying notes to the basic financial statements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2003*

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b><u>Governmental Activities:</u></b>				<b>Governmental Activities</b>
<i>Instruction:</i>				
Regular	\$8,729,856	\$964	\$211,970	(\$8,516,922)
Special	2,362,572	0	507,604	(1,854,968)
Vocational	187,488	0	0	(187,488)
Other	726,867	0	0	(726,867)
<i>Support Services:</i>				
Pupils	1,469,912	0	4,662	(1,465,250)
Instructional Staff	1,537,929	0	122,973	(1,414,956)
Board of Education	248,644	0	0	(248,644)
Administration	1,641,982	0	86,989	(1,554,993)
Fiscal	290,402	0	0	(290,402)
Business	4,103	0	0	(4,103)
Operation and Maintenance of Plant	1,459,022	0	1,188	(1,457,834)
Pupil Transportation	1,392,769	0	3,089	(1,389,680)
Central	8,711	0	158,948	150,237
<i>Operation of Non-Instructional Services:</i>				
Food Services	988,191	296,880	489,906	(201,405)
Extracurricular Activities	247,802	62,561	0	(185,241)
Interest and Fiscal Charges	242,439	0	0	(242,439)
<b>Total Governmental Activities</b>	<b>\$21,538,689</b>	<b>\$360,405</b>	<b>\$1,587,329</b>	<b>(19,590,955)</b>
 <b><u>General Revenues:</u></b>				
<i>Property Taxes Levied for:</i>				
General Purposes				2,748,394
Debt Service				475,291
Grants and Entitlements not Restricted to Specific Programs				16,631,031
Unrestricted Tuition and Fees				316,187
Unrestricted Contributions				32,701
Investment Earnings				240,007
Miscellaneous				336,115
<b>Total General Revenues</b>				<b>20,779,726</b>
Change in Net Assets				1,188,771
<i>Net Assets at Beginning of Year - As Restated (See Note 3)</i>				<u>27,019,176</u>
<i>Net Assets at End of Year</i>				<u><u>\$28,207,947</u></u>

See accompanying notes to the basic financial statements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Balance Sheet  
Governmental Funds  
June 30, 2003*

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$8,554,217	\$2,857,747	\$11,411,964
Property Taxes Receivable	3,100,869	624,506	3,725,375
Intergovernmental Receivable	0	254,369	254,369
Accrued Interest Receivable	5,895	0	5,895
Interfund Receivable	673,429	0	673,429
Prepaid Items	61,975	0	61,975
Inventory Held for Resale	0	21,850	21,850
<i>Restricted Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	180,695	0	180,695
<i>Total Assets</i>	<u>\$12,577,080</u>	<u>\$3,758,472</u>	<u>\$16,335,552</u>
<b><u>Liabilities and Fund Balances:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$16,884	\$17,914	\$34,798
Accrued Wages and Benefits	1,715,991	389,570	2,105,561
Contracts Payable	609	78,715	79,324
Intergovernmental Payable	304,724	64,955	369,679
Interfund Payable	0	673,429	673,429
Deferred Revenue	3,100,620	724,455	3,825,075
Compensated Absences Payable	26,086	0	26,086
<i>Total Liabilities</i>	<u>5,164,914</u>	<u>1,949,038</u>	<u>7,113,952</u>
<b><u>Fund Balances:</u></b>			
Reserved for Encumbrances	464,612	484,306	948,918
Reserved for Property Taxes	249	51	300
Reserved for Set-Asides	35,492	0	35,492
Reserved for Bus Purchases	145,203	0	145,203
<i>Unreserved, Undesignated, Reported in:</i>			
General Fund	6,766,610	0	6,766,610
Special Revenue Funds	0	2,735	2,735
Debt Service Fund	0	453,346	453,346
Capital Projects Funds	0	868,996	868,996
<i>Total Fund Balances</i>	<u>7,412,166</u>	<u>1,809,434</u>	<u>9,221,600</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$12,577,080</u>	<u>\$3,758,472</u>	<u>\$16,335,552</u>

See accompanying notes to the basic financial statements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2003*

<b>Total Governmental Funds Balances</b>		\$9,221,600
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,224,876
Some of the District's receivables 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. These receivables consist of:		
Property taxes	785,937	
Intergovernmental	<u>100,000</u>	
Total receivables that are deferred in the funds		885,937
Intergovernmental payables include contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(135,090)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General obligation bonds	(4,300,000)	
Accrued interest on bonds	(17,917)	
Compensated absences	(557,552)	
Capital leases	<u>(113,907)</u>	
Total liabilities that are not reported in the funds		<u>(4,989,376)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$28,207,947</u></u>
 See accompanying notes to the basic financial statements		

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2003*

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>			
Property Taxes	\$2,394,728	\$488,658	\$2,883,386
Intergovernmental	13,916,695	4,564,761	18,481,456
Interest	235,873	4,134	240,007
Tuition and Fees	316,187	964	317,151
Extracurricular Activities	0	178,068	178,068
Rentals	3,594	0	3,594
Customer Services	0	296,880	296,880
Gifts and Donations	500	32,201	32,701
Miscellaneous	196,024	20,988	217,012
<i>Total Revenues</i>	<u>17,063,601</u>	<u>5,586,654</u>	<u>22,650,255</u>
<b><u>Expenditures:</u></b>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	6,468,291	1,565,919	8,034,210
Special	1,679,593	696,363	2,375,956
Vocational	191,158	5,861	197,019
Other	726,867	0	726,867
<i>Support Services:</i>			
Pupil	674,164	798,085	1,472,249
Instructional Staff	816,205	700,671	1,516,876
Board of Education	556,363	22,518	578,881
Administration	1,330,299	373,776	1,704,075
Fiscal	293,865	0	293,865
Business	0	4,103	4,103
Operation and Maintenance of Plant	1,454,863	10,669	1,465,532
Pupil Transportation	1,451,395	30,431	1,481,826
Central	2,833	4,924	7,757
Operation of Non-Instructional Services	50,609	895,892	946,501
Extracurricular Activities	140,857	62,899	203,756
Capital Outlay	383,247	472,871	856,118
<i>Debt Service:</i>			
Principal Retirement	27,850	150,000	177,850
Interest and Fiscal Charges	25,130	217,805	242,935
<i>Total Expenditures</i>	<u>16,273,589</u>	<u>6,012,787</u>	<u>22,286,376</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>790,012</u>	<u>(426,133)</u>	<u>363,879</u>
<b><u>Other Financing Sources:</u></b>			
Proceeds from Sale of Capital Assets	3,627	0	3,627
Inception of Capital Lease	87,783	0	87,783
<i>Total Other Financing Sources</i>	<u>91,410</u>	<u>0</u>	<u>91,410</u>
<i>Net Change in Fund Balances</i>	881,422	(426,133)	455,289
<i>Fund Balances at Beginning of Year - As Restated (See Note 3)</i>	<u>6,530,744</u>	<u>2,235,567</u>	<u>8,766,311</u>
<i>Fund Balances at End of Year</i>	<u><u>\$7,412,166</u></u>	<u><u>\$1,809,434</u></u>	<u><u>\$9,221,600</u></u>

See accompanying notes to the basic financial statements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2003*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$455,289
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(3,920)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		607,994
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:		
Property taxes	254,822	
Intergovernmental	<u>(238,596)</u>	
Total revenues not reported in the funds		16,226
Repayment of loan and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		177,850
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		496
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:		
Increase in intergovernmental payables	(13,583)	
Increase in compensated absences	<u>(51,581)</u>	
Total expenditures not reported in the funds		<u>(65,164)</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$1,188,771</u></u>

See accompanying notes to the basic financial statements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b><u>Revenues:</u></b>				
Property Taxes	\$1,622,067	\$2,436,247	\$2,394,935	(\$41,312)
Income Tax	3,273	3,273	3,273	0
Intergovernmental	13,192,736	13,819,306	13,916,695	97,389
Interest	250,000	230,000	241,678	11,678
Tuition and Fees	324,472	319,761	316,187	(3,574)
Rentals	23,000	8,200	3,594	(4,606)
Gifts and Donations	0	500	500	0
Miscellaneous	184,342	322,332	315,689	(6,643)
<i>Total Revenues</i>	15,599,890	17,139,619	17,192,551	52,932
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	5,974,872	6,472,929	6,388,358	84,571
Special	1,325,546	1,697,687	1,678,704	18,983
Vocational	181,282	193,876	192,162	1,714
Other	89,295	751,300	734,084	17,216
<i>Support Services:</i>				
Pupils	879,682	746,695	684,767	61,928
Instructional Staff	721,231	838,381	777,946	60,435
Board of Education	612,420	643,728	586,989	56,739
Administration	1,202,734	1,377,963	1,311,968	65,995
Fiscal	285,569	296,536	288,743	7,793
Operation and Maintenance of Plant	1,691,141	1,811,587	1,561,465	250,122
Pupil Transportation	1,883,184	1,736,174	1,588,055	148,119
Central	5,477	11,573	9,207	2,366
Operation of Non-Instructional Services	56,913	60,993	59,058	1,935
Extracurricular Activities	129,153	153,935	142,773	11,162
Capital Outlay	446,116	641,865	569,720	72,145
<i>Total Expenditures</i>	15,484,615	17,435,222	16,573,999	861,223
<i>Excess of Revenues Over (Under) Expenditures</i>	115,275	(295,603)	618,552	914,155
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Capital Assets	0	4,000	3,627	(373)
Advances In	443,369	153,483	153,483	0
Advance Out	0	(658,345)	(658,345)	0
<i>Total Other Financing Sources (Uses)</i>	443,369	(500,862)	(501,235)	(373)
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	558,644	(796,465)	117,317	913,782
<i>Fund Balance at Beginning of Year</i>	7,493,827	7,493,827	7,493,827	0
<i>Prior Year Encumbrances Appropriated</i>	640,252	640,252	640,252	0
<i>Fund Balance at End of Year</i>	\$8,692,723	\$7,337,614	\$8,251,396	\$913,782

See accompanying notes to the basic financial statements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**

*Statement of Fiduciary Net Assets*

*Fiduciary Fund*

*June 30, 2003*

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	<u>Agency</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$46,438</u>
<b><u>Liabilities:</u></b>	
Due to Students	<u>\$46,438</u>

See accompanying notes to the basic financial statements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

Vinton County Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's seven (7) instructional support facilities staffed by 121 non-certificated, 206 teaching personnel, and 14 administrative employees providing education to approximately 2,641 students.

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Vinton County Local School District, this includes general operations, food service and student related activities of the District.

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

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- Parent Teacher Organization
- Booster Club

The District is associated with four organizations, three of which are defined as jointly governed organizations, and one is a group purchasing pool. These organizations are the South Central Ohio Computer Association, the Gallia-Jackson-Vinton Joint Vocational School District, the Gallia-Vinton Educational Service Center, the Southeastern Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**A. Basis of Presentation**

The District's basic financial statement consists of government-wide financial 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 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 District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. 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 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 District.

**Fund Financial Statements**

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. 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 District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of the District fall within two categories: governmental and fiduciary.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**Governmental Funds**

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus 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 is the District's only major governmental fund:

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

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

**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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund which is used to account for student managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net 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 balance 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.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary fund 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.

**Revenues - Exchange and Nonexchange 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. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the 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 the fiscal 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.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

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

**E. Cash and Cash Equivalents**

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

During the fiscal year 2003, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. 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 investments 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. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$235,873, which includes \$58,422 assigned from other District funds.

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

**F. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

**G. 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.

**H. 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 to be reserved for set-asides and school bus purchases. See Note 16 for additional information regarding set-asides.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**I. Capital Assets**

General capital assets are associated with and generally arise from governmental activities. 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 - 30 years
Buildings and Improvements	25 - 50 years
Furniture and Equipment	6 - 15 years
Vehicles	5 - 10 years

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The 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 District has identified as probable of receiving payments 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 District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 20 years of service with the District.

The entire compensated absence liability is reported on the government-wide financial statements.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees will be paid.

**L. Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities and long-term liabilities are reported in the government-wide 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, claims and judgements, compensated absences, special termination of 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. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

**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 District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**N. Fund Balance Reserves**

The 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, set-asides, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for set-asides represents money required to be set-aside by statute for textbooks and instructional materials.

**O. Interfund Transactions**

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

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2003, the District reported no extraordinary or special items.

**Q. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

**R. Budgetary Process**

All funds, other than the agency fund, 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 District Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund and function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

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.

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS**

**Changes in Accounting Principles**

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37 and 38, and GASB Interpretation No. 6.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS** - (Continued)

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements present the District's programs as governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

**Restatement of Fund Balances**

The restatements for a fund reclassification, the reclassification of accrued interest revenue and GASB Statement No. 34 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

	General	Nonmajor	Total
Fund Balances, June 30, 2002	\$6,467,706	\$2,163,078	\$8,630,784
Fund Reclassifications	63,038	72,489	135,527
Adjusted Fund Balances, June 30, 2002	\$6,530,744	\$2,235,567	8,766,311
<i>GASB 34 Adjustments:</i>			
Intergovernmental Receivable			338,596
Property Taxes Receivable			445,639
Capital Assets			22,616,880
Accrued Interest Payable			(18,413)
Intergovernmental Payable			(119,892)
<i>Long-Term Obligations:</i>			
Compensated Absences Payable			(505,971)
General Obligation Bonds			(4,450,000)
Capital Leases			(53,974)
Governmental Activities Net Assets, June 30, 2002			\$27,019,176

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 4 - ACCOUNTABILITY**

The following funds had deficit fund balances/retained earnings as of June 30, 2003:

<i>Nonmajor Special Revenue Funds:</i>	
Public School Preschool	\$94
DPIA	55,388
Title I	11,486
Federal Emergency Repair Grant	14,559
Drug Free Grant	3,339
Miscellaneous Federal Grants	151,823
<i>Nonmajor Capital Project Fund:</i>	
Emergency Building Repair Grant	15,085

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budget basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) is presented for the General Fund on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** - (Continued)

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

Net Change in Fund Balance	
GAAP Basis	\$881,422
<i>Adjustments:</i>	
Revenue Accruals	128,950
Expenditure Accruals	(300,410)
Other Sources (Uses)	(592,645)
Budget Basis	\$117,317

**NOTE 6 - CASH, DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 6 - CASH, 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 or interest by the United States;
- (2) Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government 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 fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investment pool (STAROhio); and
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 6 - CASH, DEPOSITS AND INVESTMENTS** - (Continued)

**Deposits:** At year-end, the carrying amount of the District's deposits was \$2,840,511 and the bank balance was \$3,441,800. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining amounts were protected by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must equal 105 percent of public funds on deposit. Although the securities serving as collateral were held by the pledging financial institutions' trust department in the District's name and all State statutory requirements for the investments of money had been followed, noncompliance with federal requirements would potentially subject the money to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the 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 District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Fair Value
STAROhio	\$8,798,586	\$8,798,586
Totals	\$8,798,586	\$8,798,586

The classification of cash and cash equivalent on the combined balance sheet 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". A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$11,639,097	\$0
<i>Investments:</i>		
STAROhio	(8,798,586)	8,798,586
GASB Statement No. 3	\$2,840,511	\$8,798,586

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 7 - PROPERTY TAXES**

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

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

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

The District receives property taxes from Vinton, Gallia, Jackson and Hocking Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by each 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 represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003 is reported as fund balance - reserved for property taxes.

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

	2002 First- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$103,158,050	72.80%	\$103,077,900	72.89%
Public Utility Personal	25,836,520	18.24%	25,699,850	18.17%
Tangible Personal Property	12,698,568	8.96%	12,645,773	8.94%
Total Assessed Value	<u>\$141,693,138</u>	<u>100.00%</u>	<u>\$141,423,523</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$22.52		\$22.52	

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 8 - RECEIVABLES**

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

<i>Nonmajor Special Revenue Funds:</i>	
Title I	\$147,702
Title II-A	19,059
IDEA	82,353
Preschool Handicapped Grant	5,255
Total Nonmajor Special Revenue Funds	\$254,369

**NOTE 9 - RISK MANAGEMENT**

The 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 District contracted with various commercial carriers for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$47,612,924
Inland Marine Coverage (\$250 deductible)	2,500,000
Musical Instruments (\$1,000 deductible)	70,938
Automobile Liability (\$1,000 deductible):	
Per Person	1,000,000
Per Accident	2,000,000
Uninsured Motorists (\$1,000 deductible):	
Per Person	1,000,000
Per Accident	1,000,000
General Liability:	
Per Occurrence	1,000,000
Total Per Year	3,000,000
Public Official Bonds:	
Treasurer	100,000
Superintendent/Board President (each)	20,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The District has made significant changes in coverage during the past fiscal year. The District increased its coverage on the building and its contents and eliminated the builders risk coverage since it is no longer needed.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 9 - RISK MANAGEMENT** - (Continued)

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 18). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

**NOTE 10 - CAPITAL ASSETS**

Capital asset governmental activity for the fiscal year ended June 30, 2003 was as follows:

Asset Category	Balance at July 1, 2002	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2003
<i>Nondepreciable Capital Assets:</i>				
Land	\$977,320	\$0	\$0	\$977,320
Total Nondepreciable Capital Assets	977,320	0	0	977,320
<i>Depreciable Capital Assets:</i>				
Land Improvements	1,845,653	401,309	0	2,246,962
Buildings and Improvements	21,355,380	848,768	0	22,204,148
Furniture, Fixtures and Equipment	2,928,682	247,998	3,920	3,172,760
Vehicles	2,048,579	253,671	0	2,302,250
Total Depreciable Capital Assets	28,178,294	1,751,746	3,920	29,926,120
Total Capital Assets	29,155,614	1,751,746	3,920	30,903,440
<i>Accumulated Depreciation:</i>				
Land Improvements	462,921	93,747	0	556,668
Buildings and Improvements	3,528,048	675,257	0	4,203,305
Furniture, Fixtures and Equipment	1,301,523	201,678	3,920	1,499,281
Vehicles	1,246,242	173,068	0	1,419,310
Total Accumulated Depreciation	6,538,734	1,143,750	3,920	7,678,564
Total Net Capital Assets	<u>\$22,616,880</u>	<u>\$607,996</u>	<u>\$0</u>	<u>\$23,224,876</u>

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 10 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$715,275
Special	10,592
<i>Support Services:</i>	
Pupils	3,648
Instructional Staff	53,751
Board of Education	9,594
Administration	35,305
Operation and Maintenance	16,857
Pupil Transportation	174,582
Central	607
Operation of Non-Instructional Services	11,951
Extracurricular Activities	47,066
Capital Outlay	64,524
	<hr/>
Total Depreciation Expense	<u><u>\$1,143,752</u></u>

At June 30, 2003, net fixed assets include \$174,119 of equipment under capitalized leases.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The 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.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the 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 the annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$204,658, \$101,714, and \$42,090, respectively; 58.15 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$85,657 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

***State Teachers Retirement System***

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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 percent 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 30, 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.

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.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is 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 STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,193,445, \$772,471, and \$310,934, respectively; 80.85 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$228,529 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, none of the seven members of the Board of Education have elected Social Security. If elected, the Board's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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 funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$91,803 during fiscal year 2003.

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

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

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** - (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest year 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. The number of participants currently receiving health care benefits is approximately 50,000. For the District, the amount to fund health care benefits, including the surcharge, equaled \$181,662 during the 2003 fiscal year.

**NOTE 13 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent and Treasurer. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for 25 percent of the employee's accumulated sick leave up to a maximum of 51 days for certified and administrative employees and 65 days for non-certificated employees.

Additionally, certified employees with 30 years but less than 31 years of service are eligible for a \$40,000 severance bonus. Certified employees with 31 years but less than 32 years of service are eligible for a \$20,000 severance bonus while those with 32 years but less than 33 years of service are eligible for a \$15,000 severance bonus. Any certified employees who complete 33 years of service are no longer eligible for any severance bonus.

**Health, Prescription, Dental and Life Insurance**

The District provides health and prescription benefits to its employees through a fully funded policy with Medical Mutual. Dental and life insurance benefits are provided through a policy with Coresource.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the District during the 2003 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2002	Additions	Deletions	Principal Outstanding at June 30, 2003	Amount Due in One Year
<u>Governmental Activities:</u>							
General Obligation Bonds	12/01/20	5.01%	\$4,450,000	\$0	\$150,000	\$4,300,000	\$155,000
Capital Leases Payable	N/A	N/A	53,974	87,783	27,850	113,907	43,861
Compensated Absences	N/A	N/A	553,183	659,249	628,794	583,638	73,377
Total Governmental Activities Long-Term Liabilities			<u>\$5,057,157</u>	<u>\$747,032</u>	<u>\$806,644</u>	<u>\$4,997,545</u>	<u>\$272,238</u>

General obligation bonds were issued in the amount of \$5,010,000 in July 1998, as a result of the District being approved for \$11,041,812 in school facilities funding through the State Department of Education for the construction of a high school building. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 3.82 mill levy in November 1997. Of the 3.82 mill levy, 3.32 mills is used for the retirement of the bonds that were issued and are in effect for twenty-three years. The remaining .5 mill is used for repairs and maintenance of the facility. As a part of this funding process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the District may become responsible for repayment of a portion of the State's contribution.

Capital leases are paid from the General Fund. Compensated absences are paid from the fund from which the person is paid.

The District's voted legal debt margin was \$8,428,117 with an unvoted debt margin of \$141,424 at June 30, 2003.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 14 - LONG-TERM OBLIGATIONS** - (Continued)

Principal and interest requirements to retire the general obligation bonds and capital leases at June 30, 2003 are as follows:

Year Ending June 30	General Obligation Bonds	Capital Leases	Totals
2004	\$369,655	\$59,292	\$428,947
2005	368,068	53,101	421,169
2006	371,188	38,722	409,910
2007	368,708	24,495	393,203
2008	370,920	0	370,920
2009-2013	1,845,173	0	1,845,173
2014-2018	1,851,750	0	1,851,750
2019-2021	1,107,000	0	1,107,000
Total Principal & Interest	6,652,462	175,610	6,828,072
Less: Interest	2,352,462	61,703	2,414,165
Total Principal	<u>\$4,300,000</u>	<u>\$113,907</u>	<u>\$4,413,907</u>

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 15 - INTERFUND ACTIVITY**

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

Fund	Interfund Receivables	Interfund Payables
<i>General Fund</i>	\$673,429	\$0
<i>Nonmajor Special Revenue Funds:</i>		
Title VI-B	0	115,000
Title I	0	127,373
Federal Emergency Repair Grant	0	229,645
Drug Free Grant	0	3,498
Preschool Handicapped Grant	0	5,255
Title VI-R	0	19,058
Miscellaneous Federal Grants	0	158,515
Total Nonmajor Special Revenue Funds	0	658,344
<i>Nonmajor Capital Project Fund:</i>		
Emergency Building Repair Grant	0	15,085
Total	\$673,429	\$673,429

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

**NOTE 16 - STATUTORY RESERVES**

The 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. Effective April 10, 2001, Senate Bill 345 eliminated the statutory requirement for a budget reserve; however, any remaining amount of the budget reserve funded with workers' compensation refunds or rebates may only be used to offset a budget deficit or certain other expenditures as directed by the Board of Education. For the District, there is no budget reserve amount remaining.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 16 - STATUTORY RESERVES** - (Continued)

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

	Textbook	Capital Acquisition	Total
Set-Aside Reserve Balance as of June 30, 2002	\$441,457	\$0	\$441,457
Current Year Set-Aside Requirement	276,600	276,600	553,200
Elective Transfer by Board	0	223,400	223,400
Capital Acquisition Offset	0	(281,091)	(281,091)
Qualifying Disbursements	(682,565)	(922,183)	(1,604,748)
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$35,492</u>	<u>(\$703,274)</u>	<u>(\$667,782)</u>
Excess Carry Forward to Future Years	<u>0</u>	<u>703,274</u>	<u>703,274</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>\$35,492</u>	<u>\$0</u>	<u>\$35,492</u>

Qualifying disbursements in excess of current year or accumulated set-aside requirements for textbooks may be used to reduce set-aside requirements of future years. Actual cash balances in excess of set-aside requirements for both textbooks and capital improvements may be used to offset set-aside requirements of future years. The Board of Education has decided to carry forward the capital acquisition set-aside amount to reduce the set-aside requirements in future fiscal years.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**South Central Ohio Computer Association**

The 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, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA \$30,362 for services provided during the year. Financial information for SCOCA can be obtained from their fiscal agent, Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS** - (Continued)

**Gallia - Vinton Educational Service Center**

The Gallia - Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the Educational Service Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2003, the District made no contributions to the Educational Service Center. To obtain financial information, write to the Gallia - Vinton Educational Service Center, P.O. Box 178, Rio Grande, Ohio 45674.

**Gallia-Jackson-Vinton Joint Vocational School District**

The Gallia-Jackson-Vinton Joint Vocational School is a jointly governed organization providing vocational services to its six participating school districts. The Joint Vocational School is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Joint Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2003, the District made no contributions to the Joint Vocational School. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, P.O. Box 157, Rio Grande, Ohio 45674.

**Southeastern Ohio Special Education Regional Resource Center**

The Southeastern Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Superintendent of the District is on the SERRC Board and the District also has a local representative that serves as an alternate for the SERRC Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**NOTE 18 - GROUP PURCHASING POOL**

**Ohio School Boards Association Worker's Compensation Group Rating Plan**

The District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Worker's Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

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

**VINTON COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 19 - SCHOOL FUNDING**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

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

**NOTE 20 - CONTINGENCIES**

**Grants**

The 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 District at June 30, 2003.

VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$ -	\$ 103,163	\$ -	\$ 103,163
School Breakfast Program	10.553	05-PU-02	20,356		20,356	
		05-PU-03	74,888		74,888	
Total School Breakfast Program			95,244	0	95,244	0
National School Lunch Program	10.555	LL-P1-02	4,361		4,361	
		LL-P4-02	74,647		74,647	
		LL-P1-03	12,039		12,039	
		LL-P4-03	272,405		272,405	
Total National School Lunch Program			363,452	0	363,452	0
Total Nutrition Cluster			458,696	103,163	458,696	103,163
Total United States Department of Agriculture			458,696	103,163	458,696	103,163
<b>UNITED STATES DEPARTMENT OF LABOR</b>						
<i>Passed through the Ohio Department of Education</i>						
Employment Services and Job Training Pilot and Demonstration Program	17.249	WE-BE-02			160	
Total United States Department of Labor			0	0	160	0
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-01	88,887		93,705	
		C1-S1-02	71,725		100,790	
		C1-S1-03	597,183		608,371	
Total Title I Grants to Local Educational Agencies			757,795	0	802,866	0
Special Education Cluster:						
Special Education - Grants to States	84.027	6B-S3-01	104,993		81,331	
		6B-SD-02	15,000		23,309	
		6B-SF-01	57,200		73,806	
		6B-SF-02	232,142		260,468	
Total Special Education - Grants to States			409,335	0	438,914	0
Special Education Preschool Grants	84.173	PG-S1-01	0		8,646	
		PG-S1-02	15,182		13,465	
Total Special Education Preschool Grants			15,182	0	22,111	0
Total Special Education Cluster			424,517	0	461,025	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-01	589		3,739	
		DR-S1-02	4,296		4,064	
		DR-S1-03	22,336		22,215	
Total Safe and Drug-Free Schools and Communities - State Grants			27,221	0	30,018	0
Goals 2000	84.276	G2-S1-01/02	0		2,484	
Eisenhower Professional Development State Grants	84.281	MS-S1-02	1,421		9,246	
Innovative Education Program Strategies	84.298	C2-S1-01	0		41	
		C2-S1-02	1,056		3,172	
		C2-S1-03	21,446		21,446	
Total Innovative Education Program Strategies			22,502	0	24,659	0

(Continued)

VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF EDUCATION (Continued)</b>						
<i>Passed through the Ohio Department of Education (Continued)</i>						
Technology Literacy Challenge Grant Funds	84.318	TJ-S1-03	18,714		18,714	
Special Education State Program Improvement Grants for Children with Disabilities	84.323	ST-S1-03	30,000		3,259	
Comprehensive School Reform Demonstration	84.332	RF-S1-01 RF-S1-02	40,514 100,343		58,342 64,139	
Total Comprehensive School Reform Grant			<u>140,857</u>	<u>0</u>	<u>122,481</u>	<u>0</u>
Class Size Reduction	84.340	CR-S1-01 CR-S1-02	9,996 61,537		16,016 16,275	0
Total Class Size Reduction			<u>71,533</u>	<u>0</u>	<u>32,291</u>	<u>0</u>
Comprehensive School Renovation Grants	84.352 A	AT-S3-02	24,775		15,806	
Rural School	84.358	RU-S1-03	49,908		46,278	
Improving Teacher Quality State Grants	84.367	TR-S1-03	<u>201,088</u>		<u>178,452</u>	
<i>Total Passed-Through the Ohio Department of Education</i>			<u>1,770,331</u>	<u>0</u>	<u>1,747,579</u>	<u>0</u>
<i>Direct From the U.S. Department of Education</i>						
Twenty-First Century Community Learning Centers	84.287	NA	<u>815,934</u>		<u>933,491</u>	
Total U.S. Department of Education			<u>2,586,265</u>	<u>0</u>	<u>2,681,070</u>	<u>0</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	93.778	N/A	<u>59,760</u>		<u>105,698</u>	
Total U. S. Department of Health and Human Services			<u>59,760</u>	<u>0</u>	<u>105,698</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 3,104,721</u></b>	<b><u>\$ 103,163</u></b>	<b><u>\$ 3,245,624</u></b>	<b><u>\$ 103,163</u></b>

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. As of June 30, 2003, the School District had no significant food commodities in inventory.

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## **Auditor of State Betty Montgomery**

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

Vinton County Local School District  
Vinton County  
307 West High Street  
McArthur, Ohio 45651

We have audited the basic financial statements of Vinton County Local School District, Vinton County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated March 29, 2004, wherein we noted the School District has adopted Governmental Accounting Statements No. 34, 37, and 38 and Interpretation 6. We conducted our audit in accordance with the 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 School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated March 29, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 29, 2004.

Vinton County Local School District  
Vinton County  
Independent Accountants' Report on Compliance and on Internal  
Controls Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

March 29, 2004



## Auditor of State Betty Montgomery

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

Vinton County Local School District  
Vinton County  
307 West High Street  
McArthur, Ohio 45651

#### Compliance

We have audited the compliance of Vinton County Local School District, Vinton County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

#### Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 29, 2004.

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



**Betty Montgomery**  
Auditor of State

March 29, 2004

**VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster CFDAs: #10.550, 10.553 & 10.555  Title I Grants to Local Educational Agencies CFDA # 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

There were no findings related to the financial statements.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.

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**VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-001	Ohio Rev. Code §5705.36 was cited because estimated revenue exceeded actual revenue and appropriations were based on the estimated revenue amounts	No	Partially Corrected. While non-compliance occurred in fiscal year 2003, the frequency of occurrence and the amounts by which estimated revenue exceeded actual was not material which evidences improvement and additional monitoring by the District. This was moved to a Management Letter item.
2002-002	Ohio Rev. Code §5705.39 was cited as a result of appropriations exceeding estimated resources (estimated revenue, plus beginning unencumbered fund balances)	No	Partially Corrected. While non-compliance occurred in fiscal year 2003, the frequency of occurrence and amounts by which appropriations exceeded estimated resources were not material and generally related to grants funds for which the grantor imposes certain requirements that will cause non-compliance with this Code Section. This was moved to a Management Letter item.
2002-003	Ohio Rev. Code §5705.41(D) was cited as a result of open blanket purchase orders which did not represent valid year-end commitments and were not removed from the system. As a result, the prior outstanding encumbrance amounts were overstated and an audit adjustment was proposed.	No	Partially Corrected. While non-compliance occurred in fiscal year 2003 at the same frequency of occurrence, the aggregate amount of open blanket purchase orders did not result in the material overstatement of outstanding encumbrances. This was moved to a Management Letter item.

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**Auditor of State  
Betty Montgomery**

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**VINTON LOCAL SCHOOL DISTRICT**

**VINTON 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  
MAY 4, 2004**