



**Auditor of State
Betty Montgomery**

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Warren County Vocational School District
Warren County
3529 North State Route 48
Lebanon, Ohio 45036

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Vocational School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Vocational School District, Warren County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General, Food Service and Adult Education Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We 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.

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

Betty Montgomery
Auditor of State

February 7, 2005

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Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)

The management's discussion and analysis of Warren County Vocational School District's (the "School District") financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the financial statement and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- ✓ Governmental total assets exceeded total liabilities at the close of the most recent fiscal year by \$7.27 million for governmental activities and \$7.37 million overall.
- ✓ General revenues in governmental activities accounted for \$9.42 million in revenue or 80.10 percent of all revenues. Program specific revenues in charges for services and grants and contributions accounted for \$2.34 million or 19.90 percent of \$11.76 million in total governmental activities revenue.
- ✓ The business-type activities were financed through programs revenues of \$.12 million resulting in year end net assets of \$.10 million.
- ✓ At the end of the current fiscal year, cash and cash equivalents of \$4.19 million accounted for 36.10 percent of total assets, excluding capital assets.
- ✓ The School District had \$11.95 million in expenses relating to governmental activities; only \$2.34 million of these expenses were offset by program specific revenues. General revenues were adequate to cover the \$9.60 million net expense of governmental programs.
- ✓ Among major funds, the general fund had \$9.62 million in revenues and \$9.57 in expenditures. The general fund's balance at the close of the current year was 41.47 percent of the current year's expenditures.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

*Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
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Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the School District's net assets changed during the most 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 items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general instruction of secondary students and the associated support for those services. The business-type activities include the education of adults and general customer services for the School District. The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into three categories: governmental, proprietary 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 near-term 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 the School District's near-term financing requirements.

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(unaudited)

Because the focus of 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund, food service fund and adult education, which are considered major funds. Data from the other twenty governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary Funds. The School District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School District used enterprise funds to account for its customer service. *Internal service fund* is an accounting device used to accumulate and allocate costs among the School District's various functions. The School District used the internal service fund to account for its internal health care coverage. Because this service predominately benefits governmental rather than business-type functions, it has been included within the *governmental activities* in the government-wide financial statements. The proprietary fund statements can be found on pages 22-24.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 25 of this report.

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 27 of this report.

Warren County Vocational School District
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Management's Discussion and Analysis
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Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2003 to 2004.

Table 1
Net Assets

	<i>Governmental Activities</i>			<i>Business-Type Activities</i>		
	<i>(In millions)</i>					
	2003	2004	Change	2003	2004	Change
Assets						
Current and Other Assets	\$10.66	\$11.51	\$0.85	\$71,925	\$95,004	\$23,079
Capital Assets	3.72	3.78	0.06	4,117	3,467	(650)
<i>Total Assets</i>	<u>14.38</u>	<u>15.29</u>	<u>0.91</u>	<u>76,042</u>	<u>98,471</u>	<u>22,429</u>
Liabilities						
Long-term Liabilities	0.57	0.78	0.21	0	0	0
Other Liabilities	6.37	7.24	0.87	1,491	854	(637)
<i>Total Liabilities</i>	<u>6.94</u>	<u>8.02</u>	<u>1.08</u>	<u>1,491</u>	<u>854</u>	<u>(637)</u>
Net Assets						
Invested in Capital Assets, net of depreciation	3.28	3.50	0.22	4,117	3,467	(650)
Restricted	0.77	0.62	(0.15)	0	0	0
Unrestricted	3.39	3.15	(0.24)	70,434	94,150	23,716
<i>Total Net Assets</i>	<u>\$7.44</u>	<u>\$7.27</u>	<u>(\$0.17)</u>	<u>\$74,551</u>	<u>\$97,617</u>	<u>\$23,066</u>

Liabilities for governmental activities increased due to the severance payments that were outstanding at the end of the fiscal year. The School District's other accounts saw relatively little change from the prior year as the School District maintains controls over the timing of receivables and payables in both governmental and business-type activities.

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Warren County, Ohio
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(unaudited)

Graph 1 breaks down the School District's governmental activities revenues into percentages by type of revenue.

Graph 1

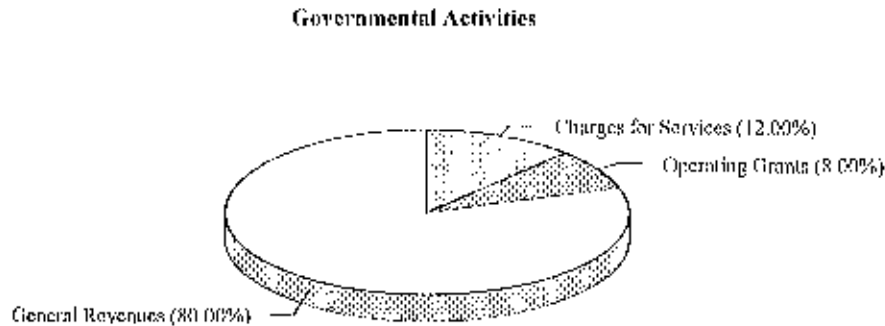


Table 2 details the actual amounts (in thousands) for the School District as a whole from 2003 to 2004.

	Governmental Activities		Business-Type Activities		Primary Government	
	2003	2004	2003	2004	2003	2004
Program Revenues						
Charges for Services	\$1,653	\$1,411	\$104	\$118	\$1,757	\$1,529
Operating Grants and Contributions	1,078	935	0	0	1,078	935
Total Program Revenues	2,731	2,346	104	118	2,835	2,464
General Revenues						
Property Taxes	6,815	5,200	0	0	6,815	5,200
Payment in Lieu of Taxes	17	41	0	0	17	41
Unrestricted Grants and Contributions	4,338	4,109	0	0	4,338	4,109
Investment Earnings	37	42	0	0	37	42
Miscellaneous	38	28	0	0	38	28
Total General Revenues	11,245	9,420	0	0	11,245	9,420
All Revenues	\$13,976	\$11,766	\$104	\$118	\$14,080	\$11,884

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Table 3 compares total program expenses from fiscal year 2003 to 2004.

Table 3
(in thousands)

	Governmental Activities		Business-Type Activities		Primary Government	
	2003	2004	2003	2004	2003	2004
Program Expenses						
<i>Instruction:</i>						
Regular	\$14	\$1	\$0	\$0	\$14	\$1
Special	65	69	0	0	65	69
Vocational	5,793	5,480	0	0	5,793	5,480
Adult/Continuing	188	147	0	0	188	147
<i>Support Services:</i>						
Pupils	1,351	1,476	0	0	1,351	1,476
Instructional Staff	524	459	0	0	524	459
Board of Education	27	12	0	0	27	12
Administration	1,010	1,067	0	0	1,010	1,067
Fiscal	429	433	0	0	429	433
Business	73	70	0	0	73	70
Operation and Maintenance	860	791	0	0	860	791
Pupil Transportation	75	62	0	0	75	62
Central	2,158	1,554	0	0	2,158	1,554
Operation on Non-Instructional Services	18	23	0	0	18	23
Food Service	229	263	0	0	229	263
Extracurricular Activities	38	30	0	0	38	30
Rotary	0	0	97	95	97	95
Interest and Fiscal Charges	21	13	0	0	21	13
Total Expenses	12,873	11,950	97	95	12,970	12,045
Change in Net Assets	1,103	(185)	7	23	1,110	(162)
Beginning Net Assets	6,355	7,158	67	71	6,122	7,532
Ending Net Assets	\$7,458	\$7,273	\$74	\$97	\$7,532	\$7,370

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The District increased property taxes from the prior year as Warren County continues to grow the residential and commercial tax rapidly compared with other counties in the State. The District was able to reduce the overall expenses by maintaining a higher administrative control over departmental budgets. The central support service recognized the largest reduction as the District had incurred some expenditures during 2003 that were not reoccurring during 2004.

The Major Funds

The School District's major funds start on page 17 for governmental funds. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the School District. The major funds account for 94.27% of the \$11.77 million in total revenue and 91.48% percent of the \$12.20 million in total expenses. The general fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues were less than expenditures in the general fund creating a year end fund balance of \$3.97 million. The food service fund and adult education received a majority of their revenues from charges for services or fees which both had a positive change in net assets for the fiscal year

The general fund recognized \$.77 million in current liabilities for fiscal year 2004. Accrued salaries and benefits accounted for 68.93% of those liabilities. The general fund maintained a cash balance of \$3.10 million, which accounted for 75.66% of total District governmental fund cash.

The food service fund had a large interfund payable since the fund has lost money for several years. The food service fund received \$0.16 million in charges for services, which accounted for 73.65% of the fund's revenues.

One of the School District express purposes is to service the adult community through various programs. The School District served over 7,100 adults during 2004. With \$1.33 million in expenditures, the adult education fund is second only to the general fund in expenditures that the School District incurs on an annual basis. The District was able to increase the adult education fund balance by \$3,258 for the fiscal year, which showed a negative net change in net assets of \$0.18 million in 2003.

*Warren County Vocational School District
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Management's Discussion and Analysis
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(unaudited)*

General Fund Budgetary

Graph 3 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2004.

*Graph 3
Original Budget versus Final Budget for General Fund*

	Budget	
	Original	Final
<u>Revenues:</u>		
Property Taxes	\$5,853,027	\$6,059,831
Intergovernmental	3,967,318	4,107,494
Other	262,363	271,633
Total Revenues	10,082,708	10,438,958
<u>Expenditures:</u>		
Current:		
Instruction	\$5,319,233	\$5,278,550
Support Services	4,322,192	4,289,135
Other	415,147	411,972
Total Expenditures	\$10,056,572	\$9,979,657

The two major differences in revenue were property taxes increasing \$206,804 and intergovernmental revenues \$140,176. The increase between the original and final budget can be explained by the School District budgeting under a conservative approach with the uncertainty of taxes revenues for the School District. The School District also took a slight increase approach when predicting school foundation monies (intergovernmental revenue) given the pending litigation the State is under by the Supreme Court rulings. The School District did budget closer by reducing the difference by over fifty percent in both areas.

Final budgeted expenditures were less than the original budgeted expenditures. The School District budgeted some expenditures that were not necessary as the fiscal year progressed; thereby, reducing the final budget by just under one percent from the original budget amount.

Final Budget versus Actual Results

The School District prepared the final budget towards the end of June 2004 when actual results were known. There is no difference except \$2,252 for a interest the School District received at the end of June.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)

Capital Assets

During 2004, the School District saw an increase of \$.04 million invested in land, buildings, equipment, and vehicles. A schedule showing accumulated depreciation and the breakdown of current year depreciation can be found in note 8 of the financial statements. Table 4 shows the breakdown of the individual classes for capital assets (not including accumulated depreciation).

Table 4
Capital Assets, net of depreciation

	Governmental		Business-Type		Total		Percentage Change 2003-04
	Activities		Activities				
	2003-restated	2004	2003	2004	2003	2004	
Land	\$456,000	\$456,000	\$0	\$0	\$456,000	\$456,000	0.00%
Buildings and Improvements	6,573,928	6,936,181	0	0	6,573,928	6,936,181	5.51%
Furniture and Equipment	3,126,339	3,332,333	4,901	4,901	3,131,240	3,337,234	6.58%
Vehicles	367,194	412,504	0	0	367,194	412,504	12.34%
Accumulated Depreciation	(6,780,777)	(7,351,358)	(784)	(1,434)	(6,781,561)	(7,352,792)	8.42%
Total	\$3,742,684	\$3,785,660	\$4,117	\$3,467	\$3,746,801	\$3,789,127	1.13%

Debt Administration

The School District has no long term general obligation debt. The School District does have a capital lease for \$116,812. The School District leased technology equipment in 2000. For further information on the School District's obligation refer to note 14 of the financial statements.

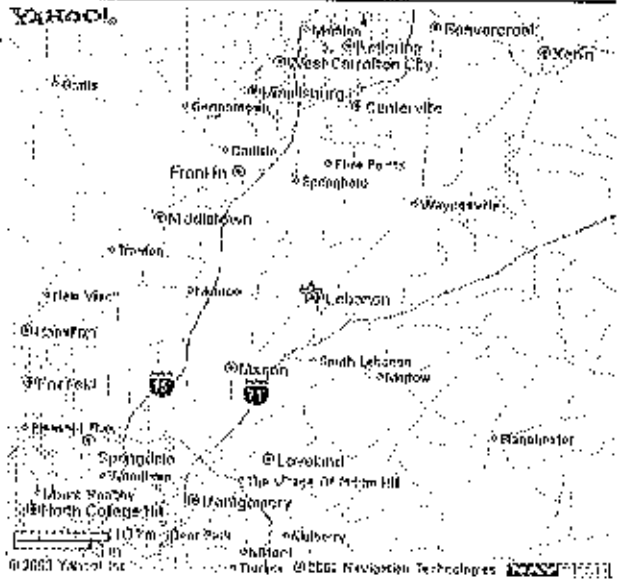
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Warren County, Ohio
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(unaudited)

Other items impacting the financial strength of the School District

The School District is located within Warren County and benefits from development occurring throughout the County. As one of the fastest growing counties in the State, the School District saw property assessed valuations increase another eleven percent which is consistent with the average of eleven percent from 2000 to 2003.

Request for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, Warren County VSD, 3529 N. SR 48, Lebanon, Ohio 45036.



Treasurer
Warren County
Vocational School District

Warren County Vocational School District
Warren County, Ohio
Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,064,333	\$95,251	\$4,159,584
Receivables:			
Property and Other Taxes	7,143,031	0	7,143,031
Accounts	26,650	0	26,650
Intergovernmental	68,434	0	68,434
Materials and Supplies Inventory	106,557	0	106,557
Internal Balances	247	(247)	0
Prepaid Items	71,482	0	71,482
Restricted Cash and Cash Equivalents	30,312	0	30,312
Capital Assets (net of accumulated depreciation)	3,785,660	3,467	3,789,127
Total Assets	15,296,706	98,471	15,395,177
Liabilities			
Payables:			
Accounts	42,675	649	43,324
Contracts	66,940	0	66,940
Intergovernmental	90,140	205	90,345
Salaries and Employee Benefits	560,713	0	560,713
Deferred Revenue	6,475,000	0	6,475,000
Noncurrent Liabilities:			
Due within one year	379,104	0	379,104
Due in more than one year	408,511	0	408,511
Total Liabilities	8,023,083	854	8,023,937
Net Assets			
Invested in capital assets, net of related debt	3,503,653	3,467	3,507,120
Restricted for:			
Grants	33,627	0	33,627
State Mandates	30,312	0	30,312
Capital Improvements	557,155	0	557,155
Unrestricted	3,148,876	94,150	3,243,026
Total Net Assets	\$7,273,623	\$97,617	\$7,371,240

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2004

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$803			(\$803)	\$0	(\$803)
Special	69,594			(69,594)	0	(69,594)
Vocational	5,480,002	393,413	172,554	(4,914,035)	0	(4,914,035)
Adult/Continuing	146,598	11,077	118,402	(16,319)	0	(16,319)
Support Services:						
Pupils	1,475,806	79,331	203,488	(1,192,987)	0	(1,192,987)
Instructional Staff	458,692		120,969	(337,723)	0	(337,723)
Board of Education	11,769			(11,769)	0	(11,769)
Administration	1,067,262	186,848	54,857	(825,557)	0	(825,557)
Fiscal	432,435			(432,435)	0	(432,435)
Business	69,601			(69,601)	0	(69,601)
Operation and Maintenance of Plant	791,255			(791,255)	0	(791,255)
Pupil Transportation	62,721			(62,721)	0	(62,721)
Central	1,554,130	558,117	234,856	(761,155)	0	(761,155)
Operation of Non-Instructional Services	22,990			(22,990)	0	(22,990)
Food Service	263,257	181,216	29,815	(52,226)	0	(52,226)
Extracurricular Activities	30,350			(30,350)	0	(30,350)
Interest and Fiscal Charges	13,621			(13,621)	0	(13,621)
Total Governmental Activities	<u>11,950,686</u>	<u>1,410,802</u>	<u>934,943</u>	<u>(9,605,141)</u>	<u>0</u>	<u>(9,605,141)</u>
Business-Type Activities:						
Customer Service	94,427	118,209	0	0	23,782	23,782
Total Business-Type Activities	<u>94,427</u>	<u>118,209</u>	<u>0</u>	<u>0</u>	<u>23,782</u>	<u>23,782</u>
Total Primary Government	<u>\$12,045,313</u>	<u>\$1,529,011</u>	<u>\$934,943</u>	<u>(9,605,141)</u>	<u>23,782</u>	<u>(9,581,359)</u>
General Revenues:						
Property Taxes				5,199,831	0	5,199,831
Payment in Lieu of Taxes				40,725	0	40,725
Grants and Contributions not restricted to specific programs				4,109,082	0	4,109,082
Unrestricted investment earnings				42,242	0	42,242
Miscellaneous				27,853	0	27,853
Total General Revenues				<u>9,419,733</u>	<u>0</u>	<u>9,419,733</u>
Loss on Disposal of Capital Assets				(574)	0	(574)
Transfers				716	(716)	0
Changes in Net Assets				(185,266)	23,066	(162,200)
Net Assets-Beginning (Restated)				<u>7,458,889</u>	<u>74,551</u>	<u>7,533,440</u>
Net Assets-Ending				<u>\$7,273,623</u>	<u>\$97,617</u>	<u>\$7,371,240</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Balance Sheet - Governmental Funds
June 30, 2004

	General	Food Service	Adult Education	Other Governmental Funds	Total Governmental Funds
<u>Assets and Other Debits</u>					
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	53,087,753	\$1,074	\$260,000	\$726,809	\$4,064,242
Receivables:					
Property and Other Taxes	7,143,031	0	0	0	7,143,031
Accounts	24,090	1,000	1,560	0	26,650
Interfund	784,989	0	0	13,158	798,147
Intergovernmental	1,650	2,711	0	64,073	68,434
Prepaid Items	65,525	419	4,779	758	71,482
Materials and Supplies Inventory	101,611	4,846	0	0	106,557
Restricted Assets:					
Cash and Cash Equivalents	30,312	0	0	0	30,312
Total Assets	\$11,218,961	\$10,150	\$274,045	\$804,799	\$12,308,855
<u>Liabilities and Fund Balances</u>					
<u>Liabilities</u>					
Payables:					
Accounts	\$15,986	\$0	\$25,633	\$1,056	\$42,675
Contracts	43,392	0	0	23,548	\$66,940
Due to Local Governments	72,651	1,180	14,841	1,188	90,140
Salaries and Employee Benefits	533,620	9,225	17,868	0	560,713
Interfund	0	681,491	19,991	96,418	797,900
Matured Leave Payable	100,547	0	0	0	108,547
Deferred Revenue	6,475,000	0	0	35,502	6,510,502
Total Liabilities	7,249,196	692,196	78,333	157,892	8,177,417
<u>Fund Balances:</u>					
Reserved for:					
Encumbrances	165,322	0	38,188	131,046	534,554
Property Taxes	500,000	0	0	0	500,000
Inventory	70,083	0	0	0	70,083
Budget Stabilization	30,312	0	0	0	30,312
Unreserved, reported in:					
General	3,004,048	0	0	0	3,004,048
Special Revenue (Deficit)	0	(682,046)	158,426	81,140	(442,480)
Capital Projects	0	0	0	434,921	434,921
Total Fund Balances (Deficit)	3,980,765	(682,046)	188,612	647,107	4,131,438
Total Liabilities and Fund Balances	\$11,218,961	\$10,150	\$274,945	\$804,799	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,785,660
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	35,502
Internal service fund is used by management to charge the cost of benefit insurance to employees	91
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(679,080)
	<u>57,273,623</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2004

	General	Food Service	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$5,199,831	\$0	\$0	\$0	\$5,199,831
Intergovernmental	4,109,144	29,815	286,368	621,328	5,046,655
Charges for Services	0	155,430	0	0	155,430
Tuition and Fees	214,585	0	876,388	0	1,090,973
Interest	40,461	0	0	1,791	42,242
Gifts and Donations	647	0	0	15,700	16,347
Payment in Lieu of Taxes	40,725	0	0	0	40,725
Rent	4,279	0	0	0	4,279
Miscellaneous	7,680	25,786	3,895	35,274	72,635
Total Revenues	9,817,542	211,031	1,285,449	674,001	11,768,113
Expenditures:					
Current					
Instruction					
Special	66,735	0	0	0	66,735
Vocational	4,936,276	0	174,035	207,010	5,377,321
Adult Education	2,962	0	13,499	127,439	143,900
Support Services					
Pupils	1,183,626	0	63,466	168,740	1,415,832
Instructional Staff	308,903	0	0	141,180	450,083
Board of Education	8,315	0	0	1,602	10,917
Administration	747,020	0	258,763	1,377	1,017,160
Fiscal	416,751	0	0	0	416,751
Business	55,178	0	0	0	55,178
Operation and Maintenance of Plant	685,353	0	0	59,786	745,139
Pupil Transportation	35,634	0	0	52,070	87,704
Central	479,887	0	808,100	35,007	1,323,004
Operation of Non-Instructional Services	19,270	283,257	1,354	0	284,881
Extracurricular Activities	28,333	0	689	0	29,022
Capital Outlay	361,808	0	0	244,303	606,171
Debt Service:					
Principal Retirement	162,601	0	0	0	162,601
Interest and Fiscal Charges	13,621	0	0	0	13,621
Total Expenditures	9,573,273	283,257	1,329,876	1,039,464	12,205,800
Excess (deficiency) of Revenues Over (Under) Expenditures	44,269	(52,226)	(84,427)	(365,393)	(437,777)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	400	0	0	0	400
Transfers - In	0	53,585	67,885	202,613	323,883
Transfers - Out	(325,406)	0	0	(4,038)	(329,504)
Total Other Financing Sources (Uses)	(325,006)	53,585	67,885	198,575	(1,221)
Net Change in Fund Balances	(280,737)	1,359	3,258	(166,818)	(442,898)
Fund Balances (Deficit) - beginning - Restated	4,260,562	(893,405)	183,354	813,625	
Fund Balances (Deficit) - ending	\$3,979,765	(\$892,046)	\$186,612	\$647,107	

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

Net Change in Fund Balances - total governmental funds	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	42,070
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,695)
Internal service fund is used by management to charge the cost of benefit insurance to employees	3,624
Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets.	213,767
Change in net assets of governmental activities	(\$185,208)

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2004

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$5,853,027	\$6,059,831	\$6,059,831	\$0
Intergovernmental	3,967,318	4,107,494	4,107,494	0
Tuition and Fees	207,145	214,464	214,464	0
Interest	43,011	44,531	46,783	2,252
Rent	4,133	4,279	4,279	0
Gifts and Donations	625	647	647	0
Miscellaneous	7,449	7,712	7,712	0
Total Revenues	10,082,708	10,438,958	10,441,210	2,252
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	68,694	68,169	68,169	0
Vocational	5,250,539	5,210,381	5,210,381	0
Support Services:				
Pupils	1,208,622	1,199,378	1,199,378	0
Instructional Staff	316,825	314,402	314,402	0
Board of Education	15,831	15,511	15,511	0
Administration	877,024	870,316	870,316	0
Fiscal	458,216	454,711	454,711	0
Business	57,675	57,234	57,234	0
Operation and Maintenance of Plant	767,687	761,816	761,816	0
Pupil Transportation	38,249	37,966	37,966	0
Central	582,264	577,811	577,811	0
Operation of Non-				
Instructional Services	19,871	19,719	19,719	0
Extracurricular Activities	28,563	28,345	28,345	0
Capital Outlay	366,713	363,908	363,908	0
Total Expenditures	10,056,573	9,979,657	9,979,657	0
Excess of Revenues Over (Under) Expenditures	26,135	459,301	461,553	2,252
<u>Other Financing Sources (Uses):</u>				
Other Financing Sources	16,183	16,755	16,755	0
Proceeds from Sale of Capital Assets	386	400	400	0
Refund of Prior Year Expenditures	2,254	2,334	2,334	0
Advances In	195,768	202,685	202,685	0
Advances Out	(253,088)	(251,152)	(251,152)	0
Transfers In	9,900	10,250	10,250	0
Transfers Out	(339,025)	(336,432)	(336,432)	0
Total Other Financing Sources (Uses)	(367,622)	(355,160)	(355,160)	0
Net Change in Fund Balance	(341,487)	104,141	106,393	2,252
Fund Balances at Beginning of Year	2,410,789	2,410,789	2,410,789	0
Prior Year Encumbrances Appropriated	213,718	213,718	213,718	0
Fund Balances at End of Year	\$2,283,020	\$2,728,648	\$2,730,900	\$2,252

See accompanying notes to the basic financial statements.

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Food Service Fund
For the Fiscal Year Ended June 30, 2004

	Food Service			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$32,653	\$30,325	\$30,325	\$0
Customer Services	167,095	155,180	155,430	250
Miscellaneous	30,053	27,910	27,910	0
Total Revenues	229,801	213,415	213,665	250
<u>Expenditures:</u>				
Current:				
Operation of Non- Instructional Services	277,800	267,151	267,151	0
Total Expenditures	277,800	267,151	267,151	0
Excess of Revenues Over (Under) Expenditures	(47,999)	(53,736)	(53,486)	250
<u>Other Financing Sources:</u>				
Transfers In	57,699	53,585	53,585	0
Total Other Financing Sources	57,699	53,585	53,585	0
Net Change in Fund Balance	9,700	(151)	99	250
Fund Balances at Beginning of Year	250	250	250	0
Prior Year Encumbrances Appropriated	725	725	725	0
Fund Balances at End of Year	\$10,675	\$824	\$1,074	\$250

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Adult Education Fund
For the Fiscal Year Ended June 30, 2004

	Adult Education			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$366,531	\$272,326	\$272,326	\$0
Tuition and Fees	1,325,692	984,966	984,966	0
Miscellaneous	3,143	2,335	2,335	0
Total Revenues	1,695,366	1,259,627	1,259,627	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Vocational	301,210	254,337	254,337	0
Adult/Continuing	16,019	13,526	13,526	0
Support Services:				
Pupils	74,652	63,035	63,035	0
Administration	319,410	269,705	269,705	0
Central	995,913	840,933	840,933	0
Operation of Non-				
Instructional Services	1,605	1,355	1,355	0
Capital Outlay	780	659	659	0
Total Expenditures	1,709,589	1,443,550	1,443,550	0
Excess of Revenues (Under) Expenditures	(14,223)	(183,923)	(183,923)	0
<u>Other Financing Sources (Uses):</u>				
Other Financing Sources	18,897	14,040	14,040	0
Advances In	215,317	159,977	159,977	0
Advances Out	(189,471)	(159,986)	(159,986)	0
Transfers In	199,118	147,941	147,941	0
Transfers Out	(95,048)	(80,257)	(80,257)	0
Total Other Financing Sources (Uses)	148,813	81,715	81,715	0
Net Change in Fund Balance	134,590	(102,208)	(102,208)	0
Fund Balances at Beginning of Year	237,585	237,585	237,585	0
Prior Year Encumbrances Appropriated	62,541	62,541	62,541	0
Fund Balances at End of Year	\$434,716	\$197,918	\$197,918	\$0

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Customer Service Fund</u>	<u>Governmental Internal Service Fund</u>
<u>Assets</u>		
<i>Current Assets</i>		
Equity in Pooled Cash and Cash Equivalents	\$95,251	\$91
<i>Noncurrent Assets</i>		
Capital Assets (net of accumulated depreciation)	3,467	0
Total Assets	<u>\$98,718</u>	<u>\$91</u>
<u>Liabilities</u>		
<i>Current Liabilities</i>		
Payables:		
Accounts	\$649	\$0
Due to Local Governments	205	0
Interfund	247	0
Total Current Liabilities	<u>1,101</u>	<u>0</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,467	0
Unrestricted	94,150	91
Total Net Assets	<u>\$97,617</u>	<u>\$91</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Customer Service Fund	Governmental Internal Service Fund
<u>Operating Revenues:</u>		
Charges for Services	\$117,812	\$0
Other	397	0
Total Operating Revenues	<u>118,209</u>	<u>0</u>
<u>Operating Expenses:</u>		
Salaries	1,457	0
Fringe Benefits	217	0
Purchased Services	1,747	585
Materials and Supplies	90,356	2,126
Depreciation	650	0
Total Operating Expenses	<u>94,427</u>	<u>2,711</u>
Operating Income (Loss)	23,782	(2,711)
Transfers In	0	6,337
Transfers Out	<u>(716)</u>	<u>0</u>
Change in Net Assets	23,066	3,626
Net Assets -		
Beginning of Year (Deficit)	<u>74,551</u>	<u>(3,535)</u>
Net Assets - End of Year	<u>\$97,617</u>	<u>\$91</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Customer Service Fund	Governmental Internal Service Fund
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>		
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$127,201	\$0
Cash Payments to Suppliers for Goods and Services	(92,742)	0
Cash Payments to Employees for Services	(1,673)	(585)
Cash Payments for Claims	0	(5,661)
Cash Received from Other Operating Revenues	397	0
	<u>33,183</u>	<u>(6,246)</u>
<i>Not Cash Provided by (Used for) Operating Activities</i>		
<u>Cash Flows from Noncapital Financing Activities:</u>		
Short Term Loan (Repayment)	81	0
Transfers In (Out)	(716)	6,337
	<u>(635)</u>	<u>6,337</u>
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>		
<i>Net Increase in Cash and Cash Equivalents</i>	32,548	91
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>62,703</u>	<u>0</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$95,251</u>	<u>\$91</u>
 <u>Reconciliation of Operating Income (Loss) to Net</u>		
<u>Cash Used for Operating Activities:</u>		
Operating Income (Loss)	23,782	(2,711)
 <u>Adjustments to Reconcile Operating Income (Loss)</u>		
<u>to Net Cash Provided by (Used for) Operating Activities:</u>		
Depreciation	650	0
<u>Changes in Assets and Liabilities:</u>		
Decrease in Accounts Receivable	5,617	0
Decrease in Intergovernmental Receivables	3,771	0
Decrease in Accounts Payable	(842)	0
Increase in Due to Local Governments	205	0
Decrease in Claims Payable	0	(3,536)
	<u>9,401</u>	<u>(3,535)</u>
<i>Total Adjustments</i>		
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$33,183</u>	<u>(\$6,246)</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Fiduciary Assets and Liabilities -
Fiduciary Funds
June 30, 2004

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$68,874</u>
<u>Liabilities</u>	
Accounts Payable	2,500
Due to Students	<u>66,374</u>
Total Liabilities	<u>\$68,874</u>

See accompanying notes to the basic financial statements

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WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The School District employs 87 certified and 29 classified staff members who serve approximately 1,061 secondary students and 7,162 adult students. A vocational school exposes high school and adult students to academic preparation and job training which leads to employment and/or further education upon graduation from high school.

Reporting Entity

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

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

The School District is associated with three organizations, two jointly governed organizations and one insurance purchasing pool. These organizations are the Southwest Ohio Computer Association, the Jewell Education Foundation, and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. These organizations are discussed in Notes 16 and 17.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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 District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *food service fund* accounts for the financial transaction related to food service operation. It accounts for all food service charges for services, state and federal grants specific to the fund service activity, as well as related food service expenditures.

The *adult education fund* accounts for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from residents and students and reimbursements from the State Department of Education.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following major proprietary fund:

The *customer service fund* accounts for transactions made in connection with goods and services provide by the School District. As an example, this fund is used to account for receipts and purchases made in connection, but not limited to, culinary training, landscape services and aviation.

Additionally, the District reports the following fund types:

Internal Service Fund accounts for the financing of the self-insured benefits plan provided by the District to the employees on a cost reimbursement basis.

Fiduciary Agency Funds reporting focuses on net assets and changes in net assets. The District maintains two fiduciary funds, agency funds known as the Pell Grant and Student Activities Funds. The Pell Grant fund accounts for grant proceeds and disbursement to various students within the District. The Student Activities fund was established to account for revenues generated by student managed activities. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (although no such grants or contributions were received for the year ending June 30, 2004). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the customer service and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service fund include the cost of sales, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

C. Budgetary Data

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

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Warren County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts by formal resolution the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued during fiscal year 2004.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The School District has chosen to present the budgetary statements in the basic financial statements at the fund and function level even though the legal level of control is at the fund level.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The final budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts.

Encumbrances:

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

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the statement of net assets and fund balance sheets.

During the current fiscal year, investments were limited to US governmental agency notes, nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the current fiscal year amounted to \$40,451, with \$11,236 assigned from other funds. The permanent improvement capital projects fund also received interest of \$1,791.

For purpose of the statement of cash flows and for the presentation on the statement of net assets and fund balance sheets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. At year-end, the School District held only deposits.

E. Inventory (Materials and Supplies)

Inventories are valued at lower of cost (first-in, first-out method) or market and are determined by physical count. Inventories consist of donated food, purchased food and school supplied held for resale and are expensed when used.

F. Capital Assets

Capital assets, which include property, plant, equipment, and vehicles, are reported on the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.) which could be required to be capitalized. The School District has no infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles and Equipment	5-15

G. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from transaction-like activities between a government's various funds are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net assets and consolidated columns for the governmental balance sheet.

H. Compensated Absences

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

The School District records a liability for accumulated unused sick leave for all employees after 20 years of current service with the School District. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, contractually required pension contributions that will be paid from governmental funds are reported as a liability on the statement of net assets to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Capital leases payable are reported as a liability on the statement of net assets. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Activity

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

K. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally separated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure in the governmental fund balance sheet. Fund balances represent the difference between assets and liabilities in the Balance Sheet - Governmental Funds, while unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, inventory and budget stabilization.

L. Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 18 for calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Deferred Revenues

Deferred revenues arise 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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

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

O. Exchange/Non-Exchange Transactions

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Estimates

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

Q. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$679,068) difference are as follows:

Capital Lease Payable	(\$116,812)
Long Term Pension Obligation	(25,420)
Compensated Absences	<u>(536,836)</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>(\$679,068)</u></u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.” The details of \$3,785,660 difference are as follows:

Capital Assets	\$11,137,018
Accumulated Depreciation	<u>(7,351,358)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$3,785,660</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states that “Repayment of long-term obligations is reported as an expenditure in government funds, the repayment reduces long-term liabilities in the statement of net assets.” The details of this \$213,767 are as follows:

Change in Benefit Balances	\$69,492
Principal reduction on lease obligation	162,601
Change in SERS Obligation	<u>(18,326)</u>
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$213,767</u></u>

Another element of that reconciliation states that “Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$42,976 are as follows:

Current capital additions	\$633,622
Loss on disposal of capital assets	(974)
Depreciation Expense	<u>(589,672)</u>
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$42,976</u></u>

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

Budgetary Basis of Accounting:

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

The major differences between the budget basis and GAAP basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
- D. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for major funds with required budgetary supplemental information. Only the general and major special revenue funds are reported for comparison.

Net Change in Fund Balance
Major Funds

	General Fund	Food Service Fund	Adult Education Fund
GAAP Basis	<u>(\$280,797)</u>	<u>\$1,359</u>	<u>\$3,258</u>
Adjustments:			
Revenue Accrual	842,757	2,634	8,218
Expenditure Accrual	(33,339)	(3,894)	(42,995)
Advances	(48,467)	0	0
Transfers	(716)	0	0
Encumbrances	<u>(373,045)</u>	<u>0</u>	<u>(70,689)</u>
Budget Basis	<u>\$106,393</u>	<u>\$99</u>	<u>(\$102,208)</u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 4 - ACCOUNTABILITY

At June 30, 2004 the following fund had deficit fund balances:

Major Fund

Food Service Fund	\$682,046
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Nonmajor Funds:

Career Education Fund	33
Early Entry Fund	745
Vocational Education Fund	371

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

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and fund balance sheets as "equity in pooled cash and cash equivalents." State Statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies that are required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies - Those monies not required for use within the current two-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Monies - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENT (continued)

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

State legislation permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies; and,
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2004

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENT (continued)

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

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

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

Deposits: At year-end the carrying amount of the District's deposits was \$2,864,025 and the bank balance of deposits was \$3,377,050. Of the bank balance, \$400,000 was covered by federal depository insurance, \$1,280,591 was covered by pledged collateral and the remaining \$1,696,459 was covered by a pool of collateral securities. Although the securities were held by the pledging financial institutions' trust department in the District's name and all statutory requirements for the investment of the money had been followed, noncompliance with the federal requirements would potentially subject the money held in the District's name to a successful claim by the FDIC.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

	<u>Category 3</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$244,429	\$244,429
Federal National Mortgage Association	1,150,316	1,150,316
Total	<u>\$1,394,745</u>	<u>\$1,394,745</u>

Cash and cash equivalents and investments are pooled for balance sheet classification on the basic financial statements because the pool consists of deposits, short-term investments or long-term investments that can be converted to liquid assets. A reconciliation between the classifications of cash and investments on the fund financial statements and classification per GASB Statement No. 3 is as follows:

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENT (continued)

	Cash and Cash Equivalents/ Deposits	Investments
Equity in Pooled Cash and Cash Equivalents - Basic Financial Statements	\$4,258,770	\$0
Investments:		
Federal Home Loan Bank	(244,429)	244,429
Federal National Mortgage Association	(1,150,316)	1,150,316
GASB Statement No. 3	<u>\$2,864,025</u>	<u>\$1,394,745</u>

NOTE 6- PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2004 were based, are as follows:

	2003 First- Half Collections		2004 Second- Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,347,040,570	86.61%	\$2,668,756,220	88.19%
Public Utility Personal	108,808,920	4.02	110,602,170	3.65
Tangible Personal Property	<u>254,125,570</u>	<u>9.37</u>	<u>246,916,350</u>	<u>8.16</u>
Total Assessed Value	<u>\$2,709,975,060</u>	<u>100.00%</u>	<u>\$3,026,274,740</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.50		\$4.50	

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 6- PROPERTY TAXES (continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by February 27. If paid semi-annually, the first payment (at least one-half of amount billed) was due February 27, with the remainder due on July 24.

The County Auditor remits portions of the taxes collected with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property taxes in June and October to all taxing districts.

The District received property taxes from the County Auditor. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004 are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, accounts (tuition and student fees), interfund, intergovernmental (grants and rentals), charges for services, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
Major Funds:	
General Fund	\$1,650
Food Service	2,711
Total Major Funds	<u>4,361</u>
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Vocational Education Enhancement	1,188
Adult Basic Education Grant	21,350
Vocational Education Grant	6,033
Miscellaneous Federal Grants	35,502
Total Nonmajor Governmental Funds	<u>64,073</u>
Total	<u><u>\$68,434</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 07/01/03	Increases	Decreases	Balance 6/30/04
Governmental Activities				
Capital Assets, not depreciated				
Land	\$456,000	\$0	\$0	\$456,000
Capital Assets, being depreciated				
Buildings and Improvements	6,573,928	362,253	0	6,936,181
Furniture and Equipment	3,126,339	219,299	(13,305)	3,332,333
Vehicles	367,194	52,070	(6,760)	412,504
Total at Historical Cost	<u>10,523,461</u>	<u>633,622</u>	<u>(20,065)</u>	<u>11,137,018</u>
Less Accumulated Depreciation	<u>(6,780,777)</u>	<u>(589,672)</u>	<u>19,091</u>	<u>(7,351,358)</u>
Governmental Activities Capital Assets, Net	<u>\$3,742,684</u>	<u>\$43,950</u>	<u>(\$974)</u>	<u>\$3,785,660</u>
Business-Type Activities				
Capital Assets, being depreciated				
Furniture and Equipment	\$4,901	\$0	\$0	\$4,901
Less Accumulated Depreciation	<u>(784)</u>	<u>(650)</u>	<u>0</u>	<u>(1,434)</u>
Business-Type Activities Capital Assets, Net	<u>\$4,117</u>	<u>(\$650)</u>	<u>\$0</u>	<u>\$3,467</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Instruction:	
Special	\$585
Vocational	260,718
Adult Education	3,439
Support Services:	
Pupils	13,112
Administration	46,723
Fiscal	3,179
Business	12,762
Operation and Maintenance of Plant	24,118
Pupil Transportation	33,583
Central	187,961
Non-operational Instruction	3,492
Total Depreciation Expense	<u>\$589,672</u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2004, the School District contracted with the Insurance Associates for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate. Vehicles are covered under a business policy with Nationwide which carries a \$250 deductible and a \$1,000,000 limit on any accident.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), and insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

The School District provided an option for medical/surgical benefits (PPO) administered by Anthem for health care coverage. The School District paid into the self-insurance internal service fund \$548.76 through October 1 and \$619.00 after October 1 for family coverage or \$219.38 through October 1 and \$247.46 after October 1 for individual coverage per month, both of which represents eighty-five percent of the premium required. The District also provides dental, vision and life coverage to the employees at a cost of \$82.42 through October 1 and \$82.89 after October 1 for family coverage and \$36.55 through October 1 and \$36.32 after October 1 for individual coverage.

The District completed the internal service fund in 2004 and therefore there is no claims liability reported in the internal service fund and governmental activities column on the statement of net assets at June 30, 2004.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 9 - RISK MANAGEMENT (continued)

Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2003	\$61,171	\$446,488	\$504,126	\$3,533
2004	3,533	2,128	5,661	0

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%. A portion of the School District's contribution is used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 2004, 2003, and 2002, were, \$106,174, \$103,309, and \$68,453, respectively; 93 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$7,909 representing the unpaid contribution for fiscal year 2004. The current portion of the liability is recorded as a liability within the respective funds and the entire liability on the government-wide statements.

B. State Teachers Retirement System

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 1% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2004, 2003, and 2002, were \$706,418, \$772,349, and \$532,702, respectively; 98 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$30,544 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds. The District had the following contributions under the new plan: defined contribution had \$10,177 member and \$10,686 District contributions and the members contributed \$17,014 to the combined plan for the current fiscal year.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$52,613 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$47.6 billion. At June 30, 2003, net health care costs paid by STRS were \$34.2 billion and STRS had 105,000 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$82,880.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003 SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has 50,000 participants currently receiving health care benefits.

NOTE 12 - COMPENSATED ABSENCES

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days. Upon retirement, payment shall be made for accrued but unused sick days on the basis of 25 percent of member's actual accumulated sick leave days to a maximum of 56 days.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 13 - CAPITALIZED LEASES – LESSEE DISCLOSURE

During fiscal year 2000, the School District entered into a capitalized lease for the acquisition of technology equipment. The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2004 totaled \$162,601 and interest payments of \$13,621.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2005	\$122,500
Less: Amount Representing Interest	<u>(5,688)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$116,812</u></u>

NOTE 14 - LONG-TERM LIABILITIES

The changes in the School District's long-term obligations (non-current liabilities) during the year consist of the following:

	<u>Obligation June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Obligation Outstanding June 30, 2004</u>	<u>Amounts Due in One Year</u>
Governmental Activities					
Compensated Absences	\$606,327	\$433,566	\$394,510	\$645,383	\$236,872
Claims Payable	3,533	0	3,533	0	0
Intergovernmental Payable	7,094	25,420	7,094	25,420	25,420
Capital Leases Payable	<u>279,413</u>	<u>0</u>	<u>162,601</u>	<u>116,812</u>	<u>116,812</u>
Total Governmental	<u><u>\$896,367</u></u>	<u><u>\$458,986</u></u>	<u><u>\$567,738</u></u>	<u><u>\$787,615</u></u>	<u><u>\$379,104</u></u>

The School District's overall legal debt margin was \$272,364,727 with an energy conservation debt margin of \$27,236,473 and an unvoted debt margin of \$3,026,275 at June 30, 2004.

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 15 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2004, consist of the following individual receivables and payables and operating transfers in the governmental and proprietary fund balance sheets (such amounts are removed from consolidated columns in the statement of net assets):

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$784,989	\$0	\$0	\$325,466
Food Service	0	681,491	53,585	0
Adult Education	0	19,991	67,685	0
Nonmajor Funds				
Special Revenue		96,418	2,613	4,038
Capital Projects	13,158	0	200,000	0
Internal Service	0	0	6,337	0
Enterprise	0	247	0	716
Total All Funds	<u>\$798,147</u>	<u>\$798,147</u>	<u>\$330,220</u>	<u>\$330,220</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and educational service centers within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The School District paid \$62,421 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 17 - INSURANCE PURCHASING POOL

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen-member committee consisting of various Educational Purchasing Council representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 18 - STATUTORY RESERVES

As stated in H.B. 412 the District is required to maintain through reserves; one for textbooks; one for capital acquisitions; and one for budget stabilization. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Carryover Balance as of June 30, 2003	(\$1,181,882)	\$0	\$30,312	(\$1,151,570)
Current Year Set-aside Requirement	101,495	101,495	0	202,990
Offsets	0	(200,000)	0	(200,000)
Qualifying Disbursements	(596,812)	(253,063)	0	(849,875)
Total	<u>(1,677,199)</u>	<u>(351,568)</u>	<u>30,312</u>	
Set-aside Carryover Balance as of June 30, 2004	<u><u>(\$1,677,199)</u></u>	<u><u>\$0</u></u>	<u><u>\$30,312</u></u>	
Total Restricted Assets				<u><u>\$30,312</u></u>

Although the School District had qualifying disbursements during the year that reduced the capital acquisition and textbook set-aside amounts to below zero, only the amount for the textbooks set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year. The total reserve balance for the three set-asides at the end of the fiscal year was \$30,312.

NOTE 19 - STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2004

NOTE 20 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Litigation:

As of June 30, 2004, the School District did not have any pending litigation.

NOTE 21 - PRIOR PERIOD ADJUSTMENT

The District restated beginning net capital assets by \$13,410 for additions placed into service during fiscal year 2003 but not recorded. The restated beginning net capital asset balances increased from \$3,729,939 to \$3,742,684.

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Auditor of State Betty Montgomery

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

Warren County Vocational School District
Warren County
3529 North State Route 48
Lebanon, Ohio 45036

To the Board of Education:

We have audited the financial statements of the Warren County Vocational School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated February 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We also noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 7, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 7, 2005.

Warren County Vocational School District
Warren County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

February 7, 2005

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Finding for Recovery – Technology Director’s usage of District cell phones	No	Not Repaid. This issue has been referred to the Ohio Attorney General and County Prosecutor.
2003-002	Third Party Administrator SAS-70	Yes	
2003-003	Lack of internal control over purchases/contracts	Yes	



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2005**