



**Auditor of State
Betty Montgomery**

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

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of U.S. Grant Joint Vocational School District, Clermont County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2002, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the District adopted Governmental Accounting Standards Board Statements 34, 36, 37 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

January 24, 2003

U. S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The discussion and analysis of U. S. Grant Joint Vocational School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2002. 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 basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

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

Financial Highlights

- In total, net assets decreased \$440,440, an 8.5 percent decrease from the previous year.
- General revenues accounted for \$4,637,456 in revenue or 88 percent of all governmental revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$644,196 or 12 percent of total revenues of \$5,281,652.
- Total assets of governmental activities decreased by \$1,083,299. Cash increased by \$158,335, while net capital assets decreased by \$348,173 and other assets decreased by \$893,461. The decrease in capital assets resulted from a change in the capitalization threshold from \$50 to \$500. The other assets decrease was the result of the deregulation of public utility personal property taxes. The District receives an offset to this revenue directly from the state. The tax valuation was deducted from the tax duplicate resulting in a significantly lower tax receivable for 2002.
- The School District had \$5,722,092 in expenses related to governmental activities; only \$644,196 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily grants, entitlements and property taxes) of \$4,637,456 were not adequate to provide for these programs, in fiscal year 2002. The inadequacy is due to the loss of public utility personal property taxes which was not able to be offset by the public utility deregulation tax loss grant in this fiscal year.

Using this Annual Financial Report Prepared in Accordance With Generally Accepted Accounting Principles (GAAP)

This annual report consists of series of financial statements and notes to those statements. These statements are organized so the reader can understand U. S. Grant Joint Vocational School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

U. S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. In the U. S. Grant Joint Vocational School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2002?" The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statements of Activities*, the School District reports governmental activities. All of the School District's educational programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 7. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

U. S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2002 and 2001:

| Table 1 Net Assets | | |
|-----------------------------------------|-------------|-------------|
| | 2002 | 2001 |
| Assets | | |
| Current and Other Assets | \$4,887,537 | \$5,622,663 |
| Capital Assets, Net | 2,690,373 | 3,038,546 |
| Total Assets | 7,577,910 | 8,661,209 |
| Liabilities | | |
| Long-Term Liabilities | (889,332) | (911,056) |
| Other Liabilities | (1,955,078) | (2,576,213) |
| Total Liabilities | (2,844,410) | (3,487,269) |
| Net Assets | | |
| Invested in Capital Assets, Net of Debt | 2,222,729 | 2,512,447 |
| Restricted | 384,848 | 387,087 |
| Unrestricted | 2,125,923 | 2,274,406 |
| Total Net Assets | \$4,733,500 | \$5,173,940 |

U. S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Table 2 shows the changes in net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years, when prior-year information is available a comparative analysis of district-wide data will be presented.

Table 2
 Changes in Net Assets

| | 2002 |
|------------------------------------------------------------|-------------|
| Revenues | |
| Program Revenues: | |
| Charges for Services | \$359,581 |
| Operating Grants and Contributions | 283,415 |
| Capital Grants and Contributions | 1,200 |
| Total Program Revenues | 644,196 |
| General Revenues | |
| Property Taxes | 1,762,291 |
| Grants and Entitlements | 2,758,071 |
| Other | 117,094 |
| Total General Revenues | 4,637,456 |
| Total Revenues | 5,281,652 |
| Program Expenses | |
| Instruction | 3,447,743 |
| Support Services: | |
| Pupils and Instructional Staff | 661,301 |
| Board of Education, Administration, Fiscal and Business | 807,203 |
| Operation and Maintenance of Plant | 545,437 |
| Pupil Transportation and Central | 92,833 |
| Operation of Non-Instructional Services | 152,163 |
| Extracurricular Activities | 15,412 |
| Total Expenses | 5,722,092 |
| Decrease in Net Assets | (\$440,440) |

The School District has been able to benefit greatly due to the increase in state funding. Grants and Entitlements made up 58 percent of revenues for governmental activities of the U. S. Grant Joint Vocational School District for fiscal year 2002.

Instruction comprises 60 percent of governmental program expenses. Support services expenses make up 37 percent of governmental expenses.

U. S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2001 have not been made because they are not available.

Table 3

| | <u>Total Cost of Services 2002</u> | <u>Net Cost of Services 2002</u> |
|---------------------------------------------------------|----------------------------------------|--------------------------------------|
| Instruction | \$3,447,743 | \$3,035,097 |
| Support Services: | | |
| Pupils and Instructional Staff | 661,301 | 531,238 |
| Board of Education, Administration, Fiscal and Business | 807,203 | 803,435 |
| Operation and Maintenance of Plant | 545,437 | 535,176 |
| Pupil Transportation | 19,850 | 19,850 |
| Central | 72,983 | 72,983 |
| Operation of Non-Instructional Services | 152,163 | 65,490 |
| Extracurricular Activities | <u>15,412</u> | <u>14,627</u> |
| Total Expenses | <u>\$5,722,092</u> | <u>\$5,077,896</u> |

The School District's Funds

Information about the School District's major fund starts on page 14. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,213,481 and expenditures of \$5,395,753. The fund balance in the General Fund decreased by \$177,039. This decrease was primarily due to a transfer made to a non-major fund during the fiscal year.

General Fund - Budget Highlights

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

During the course of fiscal 2002 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the general fund original and final budgeted amounts is listed on page 18, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

U. S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

For the general fund, actual revenue was \$4,984,139 with final budget estimates of \$4,505,988. The difference of \$478,151 was primarily due to higher State revenue than anticipated because of increased enrollment. The District feels it is best to be conservative when projecting enrollment increases due to their volatility. The School District's ending unobligated cash balance was \$1,097,090 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2002 the School District had \$2,690,372 invested in land, buildings, furniture and equipment, vehicles and software and site licenses. Table 4 shows fiscal year 2002 balances compared to 2001:

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

| | 2002 | 2001 |
|----------------------------|-------------|-------------|
| Land | \$100,000 | \$100,000 |
| Land Improvements | 1,717 | 0 |
| Buildings and Improvements | 1,946,366 | 1,991,865 |
| Furniture and Equipment | 605,555 | 876,449 |
| Vehicles | 29,575 | 32,913 |
| Software and Site Licenses | 7,160 | 4,657 |
| Construction in Progress | 0 | 32,662 |
| Total Capital Assets | \$2,690,373 | \$3,038,546 |

The 2001 asset values listed above, have been revised to reflect any valuation adjustments. For additional information regarding capital assets, see Note 7 to the Basic Financial Statements.

Debt

At June 30, 2002 the School District had \$467,644 in outstanding School Facilities Loans, \$116,911 due within one year. Table 5 summarizes outstanding loans:

Table 5
Outstanding Debt at June 30,

| | 2002 | 2001 |
|----------------------------------------|-----------|-----------|
| 1995 School Facilities Loan/HB808/7233 | \$467,644 | \$526,099 |

U. S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

At June 30, 2002, the School District's overall legal debt margin was \$57,230,908 with an unvoted debt margin of \$640,358 at June 30, 2002.

For additional information regarding debt, see Note 13 to the Basic Financial Statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Patricia Patten, Treasurer, U. S. Grant Joint Vocational School District, 718 West Plane Street, Bethel, Ohio 45106.

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U.S. Grant Joint Vocational School District
Statement of Net Assets
June 30, 2002

| | Governmental Activities |
|-------------------------------------------------|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$2,933,319 |
| Accounts Receivable | 1,849 |
| Intergovernmental Receivable | 63,723 |
| Accrued Interest Receivable | 16,747 |
| Prepaid Items | 4,912 |
| Materials and Supplies Inventory | 4,650 |
| Taxes Receivable | 1,862,337 |
| Capital Assets: | |
| Land | 100,000 |
| Depreciable Capital Assets, net | 2,590,373 |
| Total Assets | 7,577,910 |
| Liabilities | |
| Accounts Payable | 36,616 |
| Accrued Wages | 369,277 |
| Intergovernmental Payable | 56,426 |
| Matured Compensated Absences Payable | 17,912 |
| Deferred Revenue | 1,474,847 |
| Long-Term Liabilities: | |
| Due Within One Year | 139,789 |
| Due In More Than One Year | 749,543 |
| Total Liabilities | 2,844,410 |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 2,222,729 |
| Restricted for: | |
| Capital Projects | 85,689 |
| Debt Service | 66,295 |
| Other Purposes | 256,920 |
| Unrestricted | 2,101,867 |
| Total Net Assets | \$4,733,500 |

See accompanying notes to the basic financial statements

U.S. Grant Joint Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2002

| | Program Revenues | | |
|--------------------------------------------|--------------------|----------------------|---------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions |
| Governmental Activities | | | |
| Instruction: | | | |
| Regular | \$165,433 | \$19,375 | \$6,558 |
| Special | 153,564 | 0 | 0 |
| Vocational | 2,802,445 | 146,738 | 79,145 |
| Adult/Continuing | 326,301 | 108,148 | 51,482 |
| Support Services: | | | |
| Pupil | 482,757 | 0 | 104,315 |
| Instructional Staff | 178,544 | 16,808 | 8,940 |
| Board of Education | 43,941 | 0 | 0 |
| Administration | 358,246 | 0 | 3,768 |
| Fiscal | 338,362 | 0 | 0 |
| Business | 66,654 | 0 | 0 |
| Operation and Maintenance of Plant | 545,437 | 451 | 9,810 |
| Pupil Transportation | 19,850 | 0 | 0 |
| Central | 72,983 | 0 | 0 |
| Operation of Non-Instructional Services | 152,163 | 67,276 | 19,397 |
| Extracurricular Activities | 15,412 | 785 | 0 |
| | \$5,722,092 | \$359,581 | \$283,415 |

Total Governmental Activities

General Revenues

Property Taxes Levied for:
 General Purposes
 Debt Service
Grants and Entitlements not
 Restricted to Specific Programs
Net Decrease in Fair Value of Investments
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

*Net Assets Beginning of Year -
See Note 3*

Net Assets End of Year

See accompanying notes to the basic financial statements

| <u>Program Revenues</u> | <u>Net (Expense) Revenue and Changes in Net Assets</u> |
|---------------------------------------------|----------------------------------------------------------------|
| <u>Capital Grants and Contributions</u> | <u>Total Governmental Activities</u> |
| \$0 | (\$139,500) |
| 0 | (153,564) |
| 1,200 | (2,575,362) |
| 0 | (166,671) |
| 0 | (378,442) |
| 0 | (152,796) |
| 0 | (43,941) |
| 0 | (354,478) |
| 0 | (338,362) |
| 0 | (66,654) |
| 0 | (535,176) |
| 0 | (19,850) |
| 0 | (72,983) |
| 0 | (65,490) |
| <u>0</u> | <u>(14,627)</u> |
| <u>\$1,200</u> | <u>(5,077,896)</u> |

| |
|---------------------------|
| 1,703,836 |
| 58,455 |
| 2,758,071 |
| (24,046) |
| 118,394 |
| <u>22,746</u> |
| <u>4,637,456</u> |
| (440,440) |
| <u>5,173,940</u> |
| <u><u>\$4,733,500</u></u> |

U.S. Grant Joint Vocational School District
Balance Sheet
Governmental Funds
June 30, 2002

| | General | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------|--------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,479,846 | \$429,417 | \$2,909,263 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 24,056 | 0 | 24,056 |
| Receivables: | | | |
| Taxes | 1,803,882 | 58,455 | 1,862,337 |
| Accounts | 634 | 1,215 | 1,849 |
| Intergovernmental | 0 | 63,723 | 63,723 |
| Accrued Interest | 16,747 | 0 | 16,747 |
| Interfund Receivable | 61,677 | 0 | 61,677 |
| Prepaid Items | 4,912 | 0 | 4,912 |
| Materials and Supplies Inventory | 0 | 4,650 | 4,650 |
| Total Assets | \$4,391,754 | \$557,460 | \$4,949,214 |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | \$35,830 | \$786 | \$36,616 |
| Accrued Wages | 341,272 | 28,005 | 369,277 |
| Matured Compensated Absences Payable | 17,912 | 0 | 17,912 |
| Interfund Payable | 0 | 61,677 | 61,677 |
| Intergovernmental Payable | 51,990 | 4,313 | 56,303 |
| Deferred Revenue | 1,644,611 | 61,935 | 1,706,546 |
| Total Liabilities | 2,091,615 | 156,716 | 2,248,331 |
| Fund Balances | | | |
| Reserved for Encumbrances | 76,124 | 37,512 | 113,636 |
| Reserved for Property Taxes | 170,200 | 0 | 170,200 |
| Reserved for Budget Stabilization | 24,056 | 0 | 24,056 |
| Unreserved: | | | |
| Undesignated, Reported in: | | | |
| General Fund | 2,029,759 | 0 | 2,029,759 |
| Special Revenue Funds | 0 | 196,446 | 196,446 |
| Debt Service Fund | 0 | 66,295 | 66,295 |
| Capital Projects Funds | 0 | 100,491 | 100,491 |
| Total Fund Balances | 2,300,139 | 400,744 | 2,700,883 |
| Total Liabilities and Fund Balances | \$4,391,754 | \$557,460 | \$4,949,214 |

See accompanying notes to the basic financial statements

U.S. Grant Joint Vocational School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2002

Total Governmental Fund Balances \$2,700,883

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

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

| | | |
|--------------------------|-------------|-----------|
| Land | 100,000 | |
| Other capital assets | 6,929,234 | |
| Accumulated depreciation | (4,338,861) | |
| Total capital assets | | 2,690,373 |

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

| | | |
|------------------|---------|---------|
| Property Taxes | 217,290 | |
| Grants | 3,480 | |
| Interest Revenue | 10,929 | |
| | | 231,699 |

Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (123)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

| | | |
|----------------------|-----------|-----------|
| Loans payable | (467,644) | |
| Compensated absences | (421,688) | |
| Total liabilities | | (889,332) |

Net Assets of Governmental Activities \$4,733,500

See accompanying notes to the basic financial statements

U.S. Grant Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2002

| | General | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------------------|--------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property Taxes | \$1,650,074 | \$58,455 | \$1,708,529 |
| Intergovernmental | 2,754,571 | 284,635 | 3,039,206 |
| Interest | 104,449 | 3,016 | 107,465 |
| Tuition and Fees | 61,348 | 124,956 | 186,304 |
| Customer Services | 0 | 171,166 | 171,166 |
| Net Decrease in Fair Value of Investments | (24,046) | 0 | (24,046) |
| Rent | 5,496 | 0 | 5,496 |
| Miscellaneous | 4,990 | 14,371 | 19,361 |
| Total Revenues | 4,556,882 | 656,599 | 5,213,481 |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 156,840 | 7,269 | 164,109 |
| Special | 153,717 | 0 | 153,717 |
| Vocational | 2,328,027 | 173,920 | 2,501,947 |
| Adult/Continuing | 17,912 | 298,599 | 316,511 |
| Support Services: | | | |
| Pupil | 363,327 | 103,146 | 466,473 |
| Instructional Staff | 96,081 | 47,440 | 143,521 |
| Board of Education | 43,941 | 0 | 43,941 |
| Administration | 360,152 | 3,760 | 363,912 |
| Fiscal | 314,079 | 0 | 314,079 |
| Business | 64,554 | 0 | 64,554 |
| Operation and Maintenance of Plant | 551,894 | 630 | 552,524 |
| Pupil Transportation | 19,850 | 0 | 19,850 |
| Central | 72,332 | 0 | 72,332 |
| Operation of Non-Instructional Services | 0 | 146,330 | 146,330 |
| Extracurricular Activities | 13,498 | 0 | 13,498 |
| Debt Service: | | | |
| Principal Retirement | 0 | 58,455 | 58,455 |
| Total Expenditures | 4,556,204 | 839,549 | 5,395,753 |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <i>678</i> | <i>(182,950)</i> | <i>(182,272)</i> |
| Other Financing Sources (Uses) | | | |
| Transfers In | 0 | 177,717 | 177,717 |
| Transfers Out | (177,717) | 0 | (177,717) |
| <i>Total Other Financing Sources (Uses)</i> | <i>(177,717)</i> | <i>177,717</i> | <i>0</i> |
| Net Change in Fund Balance | (177,039) | (5,233) | (182,272) |
| Fund Balances Beginning of Year - See Note 3 | 2,477,178 | 405,977 | 2,883,155 |
| Fund Balances End of Year | \$2,300,139 | \$400,744 | \$2,700,883 |

See accompanying notes to the basic financial statements

U.S. Grant Joint Vocational School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2002*

Net Change in Fund Balances - Total Governmental Funds (\$182,272)

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

Capital outlays are reported as expenditures in governmental funds.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | |
|---------------------------|------------------|
| Fixed Asset Additions | 241,257 |
| Current Year Depreciation | <u>(345,665)</u> |

(104,408)

When capital assets are disposed of, the cost of the capital assets is removed from the capital asset account in the statement of net assets resulting in a loss on sale of fixed assets in the statement of activities.

| | |
|----------------------------------|-----------|
| Loss on Disposal of Fixed Assets | (243,765) |
|----------------------------------|-----------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|------------------|---------------|
| Property Taxes | 53,762 |
| Grants | 3,480 |
| Interest Revenue | <u>10,929</u> |

68,171

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | |
|---------------------------|--------|
| Loan principal retirement | 58,455 |
|---------------------------|--------|

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

| | |
|-------------------------------|-----------------|
| Compensated Absences | (36,731) |
| Intergovernmental Payable | <u>110</u> |
| Total additional expenditures | <u>(36,621)</u> |

Change in Net Assets of Governmental Activities (\$440,440)

See accompanying notes to the basic financial statements

U.S. Grant Joint Vocational School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2002

| | Budgeted Amounts | | | Variance with |
|----------------------------------------------|--------------------|--------------------|--------------------|---------------------------------|
| | Original | Final | Actual | Final Budget Over (Under) |
| Revenues: | | | | |
| Property Taxes | \$2,554,831 | \$1,994,930 | \$2,045,474 | \$50,544 |
| Intergovernmental | 1,639,280 | 2,279,488 | 2,754,571 | 475,083 |
| Interest | 160,000 | 160,000 | 112,444 | (47,556) |
| Tuition and Fees | 18,500 | 61,250 | 61,164 | (86) |
| Rent | 7,200 | 7,200 | 5,496 | (1,704) |
| Miscellaneous | 3,120 | 3,120 | 4,990 | 1,870 |
| Total Revenues | 4,382,931 | 4,505,988 | 4,984,139 | 478,151 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 184,848 | 161,548 | 160,571 | 977 |
| Special | 167,642 | 163,192 | 155,468 | 7,724 |
| Vocational | 2,513,158 | 2,551,603 | 2,387,206 | 164,397 |
| Support Services: | | | | |
| Pupils | 366,955 | 384,455 | 368,147 | 16,308 |
| Instructional Staff | 148,922 | 133,922 | 97,460 | 36,462 |
| Board of Education | 70,977 | 74,977 | 55,904 | 19,073 |
| Administration | 368,996 | 375,496 | 364,845 | 10,651 |
| Fiscal | 392,328 | 376,327 | 352,952 | 23,375 |
| Business | 94,204 | 91,205 | 60,572 | 30,633 |
| Operation and Maintenance of Plant | 724,072 | 734,072 | 553,778 | 180,294 |
| Pupil Transportation | 17,314 | 22,064 | 20,681 | 1,383 |
| Central | 55,206 | 78,756 | 62,273 | 16,483 |
| Extracurricular Activities | 30,621 | 30,626 | 18,091 | 12,535 |
| Total Expenditures | 5,135,243 | 5,178,243 | 4,657,948 | 520,295 |
| Excess of Revenues Over (Under) Expenditures | (752,312) | (672,255) | 326,191 | 998,446 |
| Other Financing Sources (Uses): | | | | |
| Refund of Prior Year Expenditure | 26,000 | 26,000 | 24,038 | (1,962) |
| Operating Transfers - Out | (300,000) | (255,000) | (177,717) | 77,283 |
| Advances - Out | (40,000) | (85,000) | (61,677) | 23,323 |
| Total Other Financing Sources (Uses) | (314,000) | (314,000) | (215,356) | 98,644 |
| Net Change in Fund Balance | (1,066,312) | (986,255) | 110,835 | 1,097,090 |
| Fund Balance at Beginning of Year | 2,129,298 | 2,129,298 | 2,129,298 | 0 |
| Prior Year Encumbrances Appropriated | 157,228 | 157,228 | 157,228 | 0 |
| Fund Balance at End of Year | \$1,220,214 | \$1,300,271 | \$2,397,361 | \$1,097,090 |

See accompanying notes to the basic financial statements

U.S. Grant Joint Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

| | Private Purpose Trust | |
|--------------------------------------------|--------------------------|-----------------|
| | Special Trust | Agency |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$9,883 | \$16,115 |
| Receivables: | | |
| Accounts | 100 | 0 |
| <i>Total Assets</i> | \$9,983 | \$16,115 |
| Liabilities | | |
| Intergovernmental Payable | \$0 | \$8,739 |
| Undistributed Monies | 0 | 7,376 |
| <i>Total Liabilities</i> | 0 | \$16,115 |
| Net Assets | | |
| Held in Trust for Scholarships | \$9,983 | |

See accompanying notes to the basic financial statements

U.S. Grant Joint Vocational School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust
For the Fiscal Year Ended June 30, 2002

| | <u>Special Trust</u> |
|-----------------------------------------|---------------------------|
| Additions | |
| Contributions | \$11,712 |
| Interest | 118 |
| | <u>11,830</u> |
| <i>Total Additions</i> | 11,830 |
| Deductions | |
| Other | 7,992 |
| | <u>7,992</u> |
| <i>Total Deductions</i> | 7,992 |
| <i>Change in Net Assets</i> | 3,838 |
| <i>Net Assets Beginning of Year</i> | <u>6,145</u> |
| <i>Net Assets End of Year</i> | <u><u>\$9,983</u></u> |

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

U.S. Grant Joint Vocational School District (the "School District") is organized pursuant to Section 3311.18 of the Ohio Revised Code. The School District is a stand-alone government as they do not have a separately elected governing body and are not a component unit of another government. The School District operates under a five member Board of Education, which is not directly elected. The Board of Education is comprised of members of other elected boards who also serve as board members of the U.S. Grant Joint Vocational School. The School District provides educational services as authorized by State statute and/or federal guidelines.

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

Reporting Entity:

A reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements are not misleading. The stand-alone government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For U.S. Grant Joint Vocational School District, this includes general operations, food service, adult education, and student related activities of the School District.

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

The School District is associated with two jointly governed organizations, a risk sharing pool and two insurance purchasing pools. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association, the Ohio Schools Risk Sharing Authority, the Clermont County Health Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations and the School District's participation is discussed in Notes 16, 17 and 18 to the basic financial statements.

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

A. Basis Of Presentation - Fund Accounting

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

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

Governmental Funds:

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

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

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

Fiduciary Fund Types:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Both of the School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The student managed activities fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes student activities, which consists of a student body, student president, student treasurer, and faculty advisor. The grant agency fund accounts for Pell Grant money awarded to adult students for the purpose of tuition.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) of total net assets.

Fund Financial Statements:

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Revenue:

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data

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

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2002, the School District's investments were limited to repurchase agreements, the State Treasury Assets Reserve of Ohio (STAR Ohio), a money market mutual fund, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Company Notes, Federal Farm Credit Bank Bonds, and Federal National Mortgage Association Notes.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$104,449, which includes \$14,775 assigned from other School District funds.

Investments of the cash management pool are reported as cash equivalents because the School District has access to these funds without penalty or prior notice.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Interfund Assets/Liabilities

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

I. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

J. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent amounts allowed by statute to be set-aside to create a reserve for budget stabilization. See Note 15 for additional information regarding set asides.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

The School District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

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

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

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Land Improvements | 35 years |
| Buildings and Improvements | 5-35 years |
| Furniture and Equipment | 5-20 years |
| Vehicles | 10 years |
| Software | 5 years |

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

N. Net Assets

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

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

O. Fund Balance Reserves

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For fiscal year 2002, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2001, caused by the conversion to the accrual basis of accounting.

Restatement of Fund Balances

During fiscal year 2002, the special trust special revenue fund was reclassified to a private purpose trust fund and is considered a fiduciary fund under the guidelines of GASB Statement No. 34. This restatement had the following effect on the fund balance of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

U. S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

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

| | General | Nonmajor | Total |
|------------------------------------------------|-------------|-----------|-------------|
| Fund Balance June 30, 2001 | \$2,465,038 | \$411,288 | \$2,876,326 |
| Interpretation 6 Adjustments: | | | |
| Compensated Absences | 12,140 | 834 | 12,974 |
| GASB 34 Adjustment: | | | |
| Fund Type Reclassification | 0 | (6,145) | (6,145) |
| Adjusted Fund Balance June 30, 2001 | \$2,477,178 | \$405,977 | 2,883,155 |
| GASB 34 Adjustments: | | | |
| Capital Assets | | | 3,038,546 |
| Long-Term Liabilities | | | |
| Compensated Absences Payable | | | (384,957) |
| Loans (School Facilities) | | | (526,099) |
| Intergovernmental Payable | | | (233) |
| Deferred Assets | | | |
| Delinquent Property Taxes | | | 163,528 |
| Government Activities Net Assets June 30, 2001 | | | \$5,173,940 |

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.

U. S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

5. Advances in and advances out are operating transactions (Budget) as opposed to Balance Sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

| | <u>General</u> |
|----------------------|-------------------------|
| GAAP Basis | (\$177,039) |
| Revenue Accruals | 451,407 |
| Expenditure Accruals | 4,685 |
| Advances | (61,677) |
| Unrecorded Cash | (112) |
| Encumbrances | <u>(106,429)</u> |
| Budget Basis | <u><u>\$110,835</u></u> |

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (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 repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

U. S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$93,749) and the bank balance was \$4,344. The entire bank balance was covered by federal depository insurance.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments that are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The money market mutual fund and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

| | Category 2 | Unclassified | Fair Value |
|-------------------------------------------------------|---------------|--------------|---------------|
| STAR Ohio | \$0 | \$713,537 | \$713,537 |
| Repurchase Agreements | 363,037 | 0 | 363,037 |
| Money Market Mutual Fund | 0 | 13,986 | 13,986 |
| Federal Home Loan Bank (FHLB) Bonds | 645,066 | 0 | 637,182 |
| Federal Home Loan Mortgage Company (FHLMC) Notes | 1,066,389 | 0 | 1,073,954 |
| Federal Farm Credit Bank (FFCB) Bonds | 153,140 | 0 | 152,720 |
| Federal National Mortgage Association (FNMA) Notes | 97,798 | 0 | 98,650 |
| | \$2,325,430 | \$727,523 | \$3,053,066 |

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

U. S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between the classifications of equity in pooled cash and cash equivalents on the Statement of Net Assets and Statement of Fiduciary Net Assets, and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/ Deposits | Investments |
|----------------------------------------------------|-------------------------------------------|-------------|
| Equity in Pooled Cash and Cash Equivalents | \$2,959,317 | \$0 |
| Investments: | | |
| Repurchase Agreement | (363,037) | 363,037 |
| STAR Ohio | (713,537) | 713,537 |
| Money Market Mutual Fund | (13,986) | 13,986 |
| Federal Home Loan Bank (FHLB) Bonds | (637,182) | 637,182 |
| Federal Home Loan Mortgage Company (FHLMC) Notes | (1,073,954) | 1,073,954 |
| Federal Farm Credit Bank (FFCB) Bonds | (152,720) | 152,720 |
| Federal National Mortgage Association (FNMA) Notes | (98,650) | 98,650 |
| GASB Statement No. 3 | (\$93,749) | \$3,053,066 |

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

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

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

U. S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (Continued)

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

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

The assessed values upon which fiscal year 2002 taxes were collected are:

| | 2001 Second- Half Collections | | 2002 First- Half Collections | |
|---------------------------------------------------|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$441,489,890 | 50.72% | \$452,458,780 | 70.66% |
| Public Utility | 414,997,800 | 47.68 | 172,726,570 | 26.97 |
| Tangible Personal Property | 13,889,297 | 1.60 | 15,173,046 | 2.37 |
| Total Assessed Value | <u>\$870,376,987</u> | <u>100.00%</u> | <u>\$640,358,396</u> | <u>100.00%</u> |
| Tax Rate per \$1,000 of Assessed Valuation | | \$4.10 | | \$4.10 |

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including U.S. Grant Joint Vocational School District. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes the late settlement of personal property taxes and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim.

Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 and the late settlement of personal property taxes were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2002, was \$170,200 and was available to the general fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue is deferred.

U. S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

| | Restated Balance 06/30/01 | Additions | Deductions | Balance 06/30/02 |
|--------------------------------------------------------|---------------------------------|-------------------|--------------------|---------------------|
| Governmental Activities | | | | |
| <i>Capital Asset, not being depreciated:</i> | | | | |
| Land | \$100,000 | \$0 | \$0 | \$100,000 |
| Construction in Progress | 32,662 | 0 | (32,662) | 0 |
| <i>Total Capital Assets, not being depreciated</i> | <u>132,662</u> | <u>0</u> | <u>(32,662)</u> | <u>100,000</u> |
| <i>Capital Assets, being depreciated:</i> | | | | |
| Land Improvements | 0 | 1,807 | 0 | 1,807 |
| Buildings and Improvements | 4,471,051 | 69,133 | 0 | 4,540,184 |
| Furniture and Equipment | 2,257,359 | 198,355 | (243,765) | 2,211,949 |
| Vehicles | 164,689 | 0 | 0 | 164,689 |
| Software & Site Licenses | 5,981 | 4,624 | 0 | 10,605 |
| <i>Total Capital Assets, being depreciated</i> | <u>6,899,080</u> | <u>273,919</u> | <u>(243,765)</u> | <u>6,929,234</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | 0 | (90) | 0 | (90) |
| Buildings and Improvements | (2,479,186) | (114,632) | 0 | (2,593,818) |
| Furniture and Equipment | (1,380,910) | (225,484) | 0 | (1,606,394) |
| Vehicles | (131,776) | (3,338) | 0 | (135,114) |
| Software and Site Licenses | (1,324) | (2,121) | 0 | (3,445) |
| Total Accumulated Depreciation | <u>(3,993,196)</u> | <u>(345,665)</u> | <u>0</u> | <u>(4,338,861)</u> |
| Total Capital Assets being depreciated, net | <u>2,905,884</u> | <u>(71,746)</u> | <u>(243,765)</u> | <u>2,590,373</u> |
| Governmental Activities Capital Assets, Net | <u>\$3,038,546</u> | <u>(\$71,746)</u> | <u>(\$276,427)</u> | <u>\$2,690,373</u> |

U. S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|-----------------------------------------|-----------|
| Instruction: | |
| Special | \$360 |
| Vocational | 266,147 |
| Adult/Continuing | 5,413 |
| Support Services: | |
| Pupil | 6,591 |
| Instructional Staff | 11,171 |
| Administration | 5,004 |
| Fiscal | 4,333 |
| Business | 186 |
| Operation and Maintenance of Plant | 43,429 |
| Operation of Non-Instructional Services | 3,031 |
| Total Depreciation Expense | \$345,665 |

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (billings for user charged services and student fees), grants, accrued interest and interfund. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

| Intergovernmental Receivable | Amount |
|----------------------------------------|----------|
| Special Revenue Funds: | |
| SchoolNet Professional Development | \$1,675 |
| Eisenhower | 79 |
| Vocational Education Amendment of 1968 | 58,960 |
| Title VI | 1,191 |
| Food Service | 1,818 |
| Total | \$63,723 |

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. By participating in the Ohio Schools Risk Sharing Authority, Inc. (OSRSA), a risk sharing pool (Note 17), for liability, property, auto, and crime insurance, the School District has addressed these various types of risk.

OSRSA, a non-profit corporation, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. The types and amounts of coverage provided by the OSRSA are as follows:

| | |
|------------------------------------------------------------------------------------------|--------------|
| Property Cover: | |
| Total Insured Values (\$1,000 occurrence deductible) | \$17,806,085 |
| Crime Cover: | |
| Employee Dishonesty/Faithful (\$1,000 occurrence deductible) | 50,000 |
| Forgery or Alteration (\$1,000 occurrence deductible) | 50,000 |
| Computer Fraud (\$1,000 occurrence deductible) | 50,000 |
| Theft, Disappearance and Destruction (inside/outside) (\$1,000 occurrence deductible) | 5,000 |
| General Liability: | |
| Bodily Injury and Property Damage | 1,000,000 |
| Personal and Advertising injury Limit - Each Offense | 1,000,000 |
| Products - Completed Operations Aggregate Limit | 1,000,000 |
| Per Campus Annual Aggregate | 1,000,000 |
| General Annual Aggregate | 5,000,000 |
| Fire Damage Limit - Any One Event | 100,000 |
| Medical Payments Aggregate | 5,000 |
| Each Occurance | 1,000 |
| Educators' Legal Liability: | |
| Errors or Omissions Cover (\$5,000 deductible) | 1,000,000 |
| Automobile Liability | |
| Owned/Leased Vehicles | 1,000,000 |
| Hired and Non-owned Liability | Included |
| Medical Payments Aggregate | 5,000 |
| Each Occurance | 1,000 |
| Uninsured Motorist | 50,000 |
| Automobile Physical Damage (\$1,000 deductible) | 100,000 |

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

NOTE 9 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

C. Other

For fiscal year 2002, the School District participated in the Clermont County Health Trust (the Trust), an insurance purchasing pool (Note 18), in order to provide dental, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$28,431, \$20,089, and \$27,858, respectively; 97.93 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$588 represents the unpaid contribution for fiscal year 2002.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$226,083, \$258,251, and \$146,131, respectively; 85.06 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$33,768 represents the unpaid contribution for fiscal year 2002.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$107,092 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, 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 2002 fiscal year equaled \$44,592.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

U. S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Employees may accumulate unlimited sick leave. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit for the first 120 days of leave plus one day's pay for each ten sick leave days accumulated beyond 120 days.

B. Life and Accident Insurance

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

C. Early Retirement Incentive

The School District has an early retirement incentive program. Participation is open to any employees that were within the retirement range established by SERS or STRS. The School District will buy two years of service credit for those employees if the incentive was taken when the employee became eligible under the program. During fiscal year 2002, one employee elected to take the early retirement incentive. The payment of \$28,190 for STRS service credit was made prior to the fiscal year end.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

| | Restated Amount Outstanding 6/30/2001 | Additions | Deductions | Amount Outstanding 6/30/2002 | Amounts Due Within One Year |
|----------------------------------|------------------------------------------------|------------------|------------------|------------------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| 1995 School Facilities Loan - 0% | \$526,099 | \$0 | \$58,455 | \$467,644 | \$116,911 |
| Compensated Absences | 384,957 | 130,240 | 93,509 | 421,688 | 22,878 |
| Total Governmental Activities | | | | | |
| Long-Term Liabilities | <u>\$911,056</u> | <u>\$130,240</u> | <u>\$151,964</u> | <u>\$889,332</u> | <u>\$139,789</u> |

U. S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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

Compensated absences will be paid from the general, food services, and adult education funds.

The School District's overall legal debt margin was \$57,230,908 with an unvoted debt margin of \$640,358 at June 30, 2002.

Principal requirements to retire the School Facilities Loan outstanding at June 30, 2002 are as follows:

| Fiscal Year Ending June 30, | Principal |
|--------------------------------|-------------------------|
| 2003 | \$58,456 |
| 2004 | 58,456 |
| 2005 | 58,456 |
| 2006 | 58,455 |
| 2007 | 58,456 |
| 2008 - 2010 | 175,365 |
| Total | <u><u>\$467,644</u></u> |

NOTE 14 - INTERFUND ACTIVITY

A. Interfund Receivables/Payables

At June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

| Fund Type/Fund | Interfund Receivable | Interfund Payable |
|----------------------|-------------------------|----------------------|
| General Fund | \$61,667 | \$0 |
| Nonmajor Funds: | | |
| Career Development | 0 | 2,717 |
| Vocational Education | 0 | 58,960 |
| Total Nonmajor Funds | 0 | 61,677 |
| Total | \$61,667 | \$61,677 |

U. S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - INTERFUND ACTIVITY (Continued)

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

B. Transfers

Transfers made during the year ended June 30, 2002, were as follows:

| <u>Transfer To Nonmajor Funds</u> | <u>Transfer From General Fund</u> |
|-----------------------------------|-----------------------------------|
| Adult Education | \$175,000 |
| Career Education | 2,717 |
| Total | \$177,717 |

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

NOTE 15 - SET-ASIDE CALCULATIONS

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

For the fiscal year June 30, 2002, the School District was no longer required to set aside funds in the budget stabilization set-aside, with the exception of refunds received from the Bureau of Workers' Compensation.

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

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> |
|----------------------------------------------------------------------------|------------------|--------------------------------|---------------------------------|
| Set-aside Reserve Balance as of June 30, 2001 | (\$96,769) | \$0 | \$24,056 |
| Current Year Set-aside Requirement | 109,032 | 109,032 | 0 |
| Qualifying Disbursements | (144,388) | (240,384) | 0 |
| Totals | (\$132,125) | (\$131,352) | \$24,056 |
| Total Set Aside Reserve Balances Carried Forward To Future Fiscal Years | (\$132,125) | \$0 | \$0 |
| Set-aside Reserve Balance as of June 30, 2002 | \$0 | \$0 | \$24,056 |

NOTE 15 - SET-ASIDE CALCULATIONS (Continued)

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Hamilton Clermont Cooperative Association/Unified Purchasing Association - The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association (H/CCA) to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that created the organization, but there is no ongoing financial interest or responsibility by the participating governments. The School District did not make any financial contributions to the Hamilton/Clermont Cooperative Association/Unified Purchasing Association during fiscal year 2002. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

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

NOTE 17 – RISK SHARING POOL

The Ohio Schools Risk Sharing Authority, Inc. (OSRSA) is a risk sharing pool serving school districts in Ohio. OSRSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to District property and persons and property which might result in claims being made against members of OSRSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by OSRSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

U. S. Grant Joint Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 17 – RISK SHARING POOL (Continued)

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of OSRSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from OSRSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

NOTE 18 - INSURANCE PURCHASING POOLS

The Clermont County Health Trust - The Clermont County Health Trust (the "Trust"), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for members' employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator, McElroy Minister, which in turn buys the insurance policies from various insurance companies.

Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. The School District did not make any financial contributions to the Clermont County Health Trust during fiscal year 2002. Financial information can be obtained from the Clermont County Health Trust at P.O. Box 526 Middletown, Ohio 45042.

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - ACCOUNTABILITY

The vocational education special revenue fund had a deficit fund balance of \$3,469 at June 30, 2002. The deficit was the result of the application of generally accepted accounting principles. The general fund provides transfers to cover these deficit balances when cash is required, not when the accruals occur.

U. S. Grant Joint Vocational School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 20 – STATE SCHOOL FUNDING DECISION

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

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

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2002.

B. Litigation

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



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

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

To the Board of Education:

We have audited the accompanying financial statements of U.S. Grant Joint Vocational School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated January 24, 2003 which we noted the District adopted Governmental Accounting Standards Board Statement No. 34, 36, 37, and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

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

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

Betty Montgomery
Auditor of State

January 24, 2003



**Auditor of State
Betty Montgomery**

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800-282-0370
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U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2003**