



**Auditor of State
Betty Montgomery**

**WARREN COUNTY VOCATIONAL SCHOOL DISTRICT
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual – Food Service Fund.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual – Adult Education Fund.....	19
Statement of Net Assets – Proprietary Funds.....	20
Statement of Revenues, Expenditures and Changes in Net Assets– Proprietary Funds.....	21
Statement of Cash Flows – Proprietary Funds.....	22
Statement of Fiduciary Net Assets – Fiduciary Funds.....	23
Notes to the Basic Financial Statements.....	25
Independent Accountants' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters as Required by <i>Government Auditing Standards</i>	53

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Vocational School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Vocational School District, Warren County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, and the budgetary comparisons for the General, Food Service, and Adult Education funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

June 26, 2006

*Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(unaudited)*

The management's discussion and analysis of Warren County Vocational School District's (the "School District") financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the financial statement and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- ✓ Governmental total assets exceeded total liabilities at the close of the most recent fiscal year by \$8.68 million for governmental activities and \$8.79 million overall.
- ✓ General revenues in governmental activities accounted for \$10.86 million in revenue or 83.74 percent of all revenues. Program specific revenues in charges for services and grants and contributions accounted for \$2.11 million or 16.25 percent of \$12.97 million in total governmental activities revenue.
- ✓ The business-type activities were financed through programs revenues of \$.11 million resulting in year end net assets of \$.10 million.
- ✓ At the end of the current fiscal year, cash and cash equivalents of \$5.24 million accounted for 40.01 percent of total assets, excluding capital assets, an increase of over four percent from last year.
- ✓ The School District had \$11.56 million in expenses relating to governmental activities; only \$2.11 million of these expenses were offset by program specific revenues. General revenues were adequate to cover the \$9.45 million net expense of governmental programs.
- ✓ Among major funds, the general fund had \$11.04 million in revenues and \$10.47 in expenditures. The general fund's balance at the close of the current year was 39.75 percent of the current year's expenditures.
- ✓ The School District is currently transferring cash when available to the permanent improvement fund to address facility as well as technology replacement issues over the next five years. The main facility is over thirty years old. Discussions had started to contract with an architect to review renovation needs and technology upgrades.

*Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(unaudited)*

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general instruction of secondary students and the associated support for those services. The business-type activities include the education of adults and general customer services for the School District. The government-wide financial statements can be found on pages 13-14 of this report.

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

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

*Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(unaudited)*

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

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

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds. The School District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School District used enterprise funds to account for its customer service. *Internal service fund* is an accounting device used to accumulate and allocate costs among the School District's various functions. The School District used the internal service fund to account for its internal health care coverage. Because this service predominately benefits governmental rather than business-type functions, it has been included within the *governmental activities* in the government-wide financial statements. The proprietary fund statements can be found on pages 20-22.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 23 of this report.

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 25 of this report.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(unaudited)

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2004 to 2005.

Table 1
Net Assets

	<i>Governmental Activities</i>			<i>Business-Type Activities</i>		
	<i>(In millions)</i>					
	2004	2005	Change	2004	2005	Change
Assets						
Current and Other Assets	\$11.51	\$12.97	\$1.46	\$95,004	\$97,870	\$2,866
Capital Assets	3.78	4.80	1.02	3,467	11,347	7,880
<i>Total Assets</i>	<u>15.29</u>	<u>17.77</u>	<u>2.48</u>	<u>98,471</u>	<u>109,217</u>	<u>10,746</u>
Liabilities						
Long-term Liabilities	0.78	1.46	0.68	0	0	0
Other Liabilities	7.24	7.63	0.39	854	2,789	1,935
<i>Total Liabilities</i>	<u>8.02</u>	<u>9.09</u>	<u>1.07</u>	<u>854</u>	<u>2,789</u>	<u>1,935</u>
Net Assets						
Invested in Capital Assets, net of depreciation	3.50	3.70	0.20	3,467	11,347	7,880
Restricted	0.62	0.86	0.24	0	0	0
Unrestricted	3.15	4.12	0.97	94,150	95,081	931
<i>Total Net Assets</i>	<u><u>\$7.27</u></u>	<u><u>\$8.68</u></u>	<u><u>\$1.41</u></u>	<u><u>\$97,617</u></u>	<u><u>\$106,428</u></u>	<u><u>\$8,811</u></u>

Liabilities for governmental activities increased due to the additional capital leases the School District entered into for CAT equipment and roof replacement. The School District was able to increase current and other assets in the governmental activities mainly due to the increase in the cash balance from controlling expenditures throughout the fiscal year. As noted in the financial highlights, the School District was able to increase the cash and cash equivalents by four percent during the fiscal year.

The School District is maintaining larger cash reserves and currently is transferring those reserves when available to the permanent improvement fund to address facility as well as technology replacement issues over the next five years. The main facility is over thirty years old. Discussions had started to contract with an architect to review renovation needs and technology upgrades.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(unaudited)

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

Graph 1

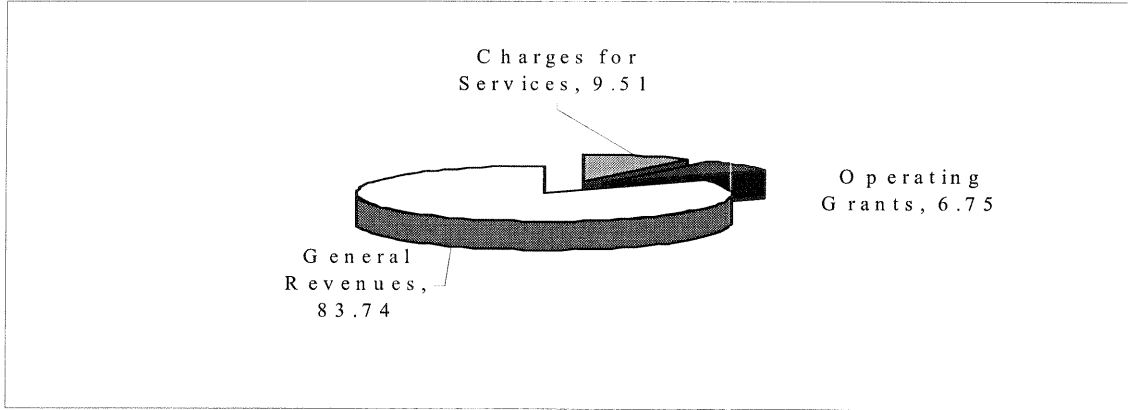


Table 2 details the actual amounts (in thousands) for the School District as a whole from 2004 to 2005.

	Governmental Activities		Business-Type Activities		Primary Government	
	2004	2005	2004	2005	2004	2005
Program Revenues						
Charges for Services	\$1,411	\$1,234	\$118	\$110	\$1,529	\$1,344
Operating Grants and Contributions	935	876	0	0	935	876
Total Program Revenues	2,346	2,110	118	110	2,464	2,220
General Revenues						
Property Taxes	5,200	6,813	0	0	5,200	6,813
Payment in Lieu of Taxes	41	35	0	0	41	35
Unrestricted Grants and Contributions	4,109	3,865	0	0	4,109	3,865
Investment Earnings	42	107	0	0	42	107
Miscellaneous	28	43	0	0	28	43
Total General Revenues	9,420	10,863	0	0	9,420	10,863
All Revenues	\$11,766	\$12,973	\$118	\$110	\$11,884	\$13,083

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(unaudited)

Table 3 compares total program expenses from fiscal year 2004 to 2005.

Table 3
(in thousands)

	Governmental Activities		Business-Type Activities		Primary Government	
	2004	2005	2004	2005	2004	2005
Program Expenses						
<i>Instruction:</i>						
Regular	\$1	\$0	\$0	\$0	\$1	\$0
Special	69	128	0	0	69	128
Vocational	5,480	5,869	0	0	5,480	5,869
Adult/Continuing	147	136	0	0	147	136
<i>Support Services:</i>						
Pupils	1,476	1,111	0	0	1,476	1,111
Instructional Staff	459	373	0	0	459	373
Board of Education	12	28	0	0	12	28
Administration	1,067	1,012	0	0	1,067	1,012
Fiscal	433	484	0	0	433	484
Business	70	81	0	0	70	81
Operation and Maintenance	791	811	0	0	791	811
Pupil Transportation	62	86	0	0	62	86
Central	1,554	1,127	0	0	1,554	1,127
Operation on Non-Instructional Services	23	16	0	0	23	16
Food Service	263	243	0	0	263	243
Extracurricular Activities	30	37	0	0	30	37
Rotary	0	0	95	101	95	100
Interest and Fiscal Charges	13	21	0	0	13	21
Total Expenses	11,949	11,563	95	101	12,045	11,664
Change in Net Assets	(184)	1,410	23	9	(162)	1,419
Beginning Net Assets	7,458	7,274	74	97	7,532	7,371
Ending Net Assets	\$7,274	\$8,684	\$97	\$106	\$7,370	\$8,790

*Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(unaudited)*

The District increased property taxes from the prior year as Warren County continues to grow the residential and commercial tax rapidly compared with other counties in the State. The District was able to reduce the overall expenses by maintaining a higher administrative control over departmental budgets. The pupils and central support service recognized the largest reductions as the District continued to monitor those expenditures and reduce costs where appropriate.

The Major Funds

The School District's major funds start on page 15 for governmental funds. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the School District. The major funds account for 95.33% of the \$13.00 million in total revenue and 93.25% percent of the \$12.76 million in total expenditures. The general fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues were greater than expenditures in the general fund creating a year end fund balance of \$4.16 million. The food service fund and adult education received a majority of their revenues from charges for services or fees which both had a positive change in net assets for the fiscal year.

The general fund recognized \$0.86 million in current liabilities for fiscal year 2005. Accrued salaries and benefits accounted for 63.45% of those liabilities. The general fund maintained a non-restricted cash balance of \$3.62 million, which accounted for 72.42% of total District governmental funds non-restricted cash.

The food service fund received \$0.13 million in charges for services, which accounted for 71.64% of the fund's revenues.

One of the School District express purposes is to service the adult community through various programs. The School District served over 7,100 adults during 2005. With \$1.19 million in expenditures, the adult education fund is second only to the general fund in expenditures that the School District incurs on an annual basis. The District was able to increase the adult education fund balance by \$0.11 million for the fiscal year, which marks the second year in row for positive change in fund balance.

*Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(unaudited)*

General Fund Budgetary

Graph 3 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2005.

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

	Budget	
	Original	Final
<u>Revenues:</u>		
Property Taxes	\$6,339,642	\$6,527,043
Intergovernmental	3,753,109	3,864,052
Other	315,477	324,803
Total Revenues	10,408,228	10,715,898
<u>Expenditures:</u>		
Current:		
Instruction	5,204,232	5,745,466
Support Services	4,013,809	4,431,239
Other	370,637	409,182
Total Expenditures	\$9,588,678	\$10,585,887

The two major differences in revenue were property taxes increasing \$187,401 and intergovernmental revenues \$110,943. The increase between the original and final budget can be explained by the School District budgeting under a conservative approach with the uncertainty of taxes revenues for the School District. The School District also took a "slight increase" approach when predicting school foundation monies (intergovernmental revenue).

Final budgeted expenditures were ten percent more than the original budgeted expenditures. The School District increased the final budget for additional vendor payments for the lease obligations and raising natural gas costs that were not anticipated during the preparation of the original budget.

Final Budget versus Actual Results

The School District prepared the final budget towards the end of June 2005 when actual results were known. There is no difference in the final revenue amounts except \$5,695 for a interest the School District received at the end of June.

For actual expenditures to final budgeted amounts, the School District was able to complete the fiscal year at ninety-two percent of budgeted figures. The School District was able to reduce other contracted services or supply costs throughout the General fund.

Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(unaudited)

Capital Assets

During 2005, the School District saw an increase of \$1.02 million invested in land, buildings, equipment, and vehicles. A schedule showing accumulated depreciation and the breakdown of current year depreciation can be found in note 8 of the financial statements. Table 4 shows the breakdown of the individual classes for capital assets (not including accumulated depreciation).

Table 4
Capital Assets, net of depreciation

	Governmental		Business-Type		Total		Percentage
	Activities		Activities				Change
	2004	2005	2004	2005	2004	2005	2004-05
Land	\$456,000	\$456,000	\$0	\$0	\$456,000	\$456,000	0.00%
Construction In							
Process	0	680,782	0	0	0	680,782	100.00%
Land Improvements	0	105,514	0	0	0	105,514	100.00%
Buildings and							
Improvements	6,936,181	6,960,718	0	8,530	6,936,181	6,969,248	0.48%
Furniture and							
Equipment	3,332,333	3,981,039	4,901	4,901	3,337,234	3,985,940	19.44%
Vehicles	412,504	404,124	0	0	412,504	404,124	-2.03%
Accumulated							
Depreciation	(7,351,358)	(7,792,625)	(1,434)	(2,084)	(7,352,792)	(7,794,709)	6.01%
Total	\$3,785,660	\$4,795,552	\$3,467	\$11,347	\$3,789,127	\$4,806,899	26.86%

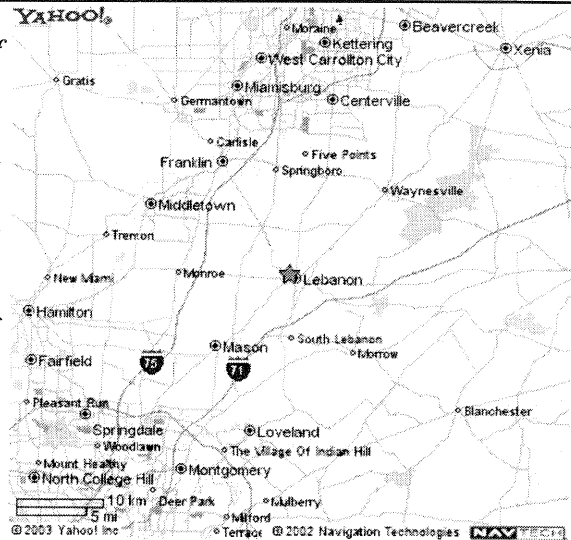
Debt Administration

The School District has no long term general obligation debt. The School District did retire the old capital lease in the amount of \$116,812. The School District entered into two new capitalized leases for the fiscal year relating to the purchase of CAT equipment and replacing the roof on the main instructional building. For further information on the School District's obligations refer to notes 13 and 14 of the financial statements.

*Warren County Vocational School District
Warren County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(unaudited)*

Other items impacting the financial strength of the School District

The School District is located within Warren County and benefits from development occurring throughout the County. As one of the fastest growing counties in the State, the School District saw property assessed valuations increase another five percent which is slightly below the average of eleven percent from 2000 to 2004. Given the size of the valuation for the School District, this continued increase in valuation signifies that the area is a growing community and the School District should continue to see economic growth throughout its jurisdictional boundaries.



Request for Information

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

Treasurer
Warren County
Vocational School District

Warren County Vocational School District
Warren County, Ohio
Statement of Net Assets
June 30, 2005

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,993,506	\$248,353	\$5,241,859
Segregated Cash and Cash Equivalents	3,060	0	3,060
Receivables:			
Property and Other Taxes	7,526,098	0	7,526,098
Accounts	5,917	0	5,917
Accrued Interest	8,792	0	8,792
Intergovernmental	147,194	0	147,194
Materials and Supplies Inventory	101,980	0	101,980
Internal Balances	150,483	(150,483)	0
Prepaid Items	13,068	0	13,068
Restricted Cash and Cash Equivalents	30,312	0	30,312
Capital Assets (net of accumulated depreciation)	4,795,552	11,347	4,806,899
Total Assets	<u>17,775,962</u>	<u>109,217</u>	<u>17,885,179</u>
<u>Liabilities</u>			
Payables:			
Accounts	37,551	2,789	40,340
Contracts	328,818	0	328,818
Intergovernmental	114,381	0	114,381
Salaries and Employee Benefits	576,852	0	576,852
Deferred Revenue	6,571,720	0	6,571,720
Noncurrent Liabilities:			
Due within one year	335,874	0	335,874
Due in more than one year	1,127,127	0	1,127,127
Total Liabilities	<u>9,092,323</u>	<u>2,789</u>	<u>9,095,112</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	3,697,920	11,347	3,709,267
Restricted for:			
Grants	14,432	0	14,432
State Mandates	30,312	0	30,312
Capital Improvements	819,539	0	819,539
Unrestricted	4,121,436	95,081	4,216,517
Total Net Assets	<u>\$8,683,639</u>	<u>\$106,428</u>	<u>\$8,790,067</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2005

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Special	\$128,142	\$0	\$0	(\$128,142)	\$0	(\$128,142)
Vocational	5,868,870	170,870	203,520	(5,494,480)	0	(5,494,480)
Adult/Continuing	135,665	867,985	410,871	1,143,191	0	1,143,191
Support Services:						
Pupils	1,111,118	19,517	109,138	(982,463)	0	(982,463)
Instructional Staff	373,117	0	124,835	(248,282)	0	(248,282)
Board of Education	28,403	0	0	(28,403)	0	(28,403)
Administration	1,012,321	0	0	(1,012,321)	0	(1,012,321)
Fiscal	484,077	0	0	(484,077)	0	(484,077)
Business	80,868	0	0	(80,868)	0	(80,868)
Operation and Maintenance of Plant	811,057	16,326	0	(794,731)	0	(794,731)
Pupil Transportation	86,342	0	0	(86,342)	0	(86,342)
Central	1,126,518	0	0	(1,126,518)	0	(1,126,518)
Operation of Non-Instructional Services	16,410	0	0	(16,410)	0	(16,410)
Food Service	242,734	158,827	28,123	(55,784)	0	(55,784)
Extracurricular Activities	36,764	0	0	(36,764)	0	(36,764)
Interest and Fiscal Charges	20,837	0	0	(20,837)	0	(20,837)
Total Governmental Activities	<u>11,563,243</u>	<u>1,233,525</u>	<u>876,487</u>	<u>(9,453,231)</u>	<u>0</u>	<u>(9,453,231)</u>
Business-Type Activities:						
Customer Service	100,781	109,592	0	0	8,811	8,811
Total Business-Type Activities	<u>100,781</u>	<u>109,592</u>	<u>0</u>	<u>0</u>	<u>8,811</u>	<u>8,811</u>
Total Primary Government	<u>\$11,664,024</u>	<u>\$1,343,117</u>	<u>\$876,487</u>	<u>(9,453,231)</u>	<u>8,811</u>	<u>(9,444,420)</u>

General Revenues:				
Property Taxes		6,813,390	0	6,813,390
Payment in Lieu of Taxes		35,276	0	35,276
Grants and Contributions not restricted to specific programs		3,864,602	0	3,864,602
Unrestricted investment earnings		107,005	0	107,005
Gain on Disposal of Capital Assets		5,312	0	5,312
Miscellaneous		37,662	0	37,662
Total General Revenues		<u>10,863,247</u>	<u>0</u>	<u>10,863,247</u>
Changes in Net Assets		1,410,016	8,811	1,418,827
Net Assets-Beginning (Restated)		<u>7,273,623</u>	<u>97,617</u>	<u>7,371,240</u>
Net Assets-Ending		<u>\$8,683,639</u>	<u>\$106,428</u>	<u>\$8,790,067</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Balance Sheet - Governmental Funds
June 30, 2005

	General	Food Service	Adult Education	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,616,477	\$4,191	\$370,454	\$1,002,293	\$4,993,415
Segregated Cash and Cash Equivalents	3,060	0	0	0	3,060
Receivables:					
Property and Other Taxes	7,526,098	0	0	0	7,526,098
Accounts	5,470	0	0	447	5,917
Interfund	158,840	0	0	13,158	171,998
Accrued Interest	8,792	0	0	0	8,792
Intergovernmental	142,393	0	1,620	3,181	147,194
Prepaid Items	13,068	0	0	0	13,068
Materials and Supplies Inventory	99,098	2,882	0	0	101,980
Restricted Assets:					
Cash and Cash Equivalents	30,312	0	0	0	30,312
Total Assets	11,603,608	7,073	372,074	1,019,079	13,001,834
Liabilities and Fund Balances					
Liabilities					
Payables:					
Accounts	31,196	183	4,129	2,043	37,551
Contracts	207,410	0	0	121,408	328,818
Due to Local Governments	84,385	9,926	16,418	3,652	114,381
Salaries and Employee Benefits	545,341	9,033	22,478	0	576,852
Interfund	0	0	19,991	1,524	21,515
Deferred Revenue	6,571,720	0	0	0	6,571,720
Total Liabilities	7,440,052	19,142	63,016	128,627	7,650,837
Fund Balances:					
Reserved for:					
Encumbrances	255,716	3,930	32,050	238,411	530,107
Property Taxes	708,350	0	0	0	708,350
Inventory	70,083	0	0	0	70,083
Budget Stabilization	30,312	0	0	0	30,312
Unreserved, reported in:					
General	3,099,095	0	0	0	3,099,095
Special Revenue (Deficit)	0	(15,999)	277,008	69,214	330,223
Capital Projects	0	0	0	582,827	582,827
Total Fund Balances (Deficit)	4,163,556	(12,069)	309,058	890,452	5,350,997
Total Liabilities and Fund Balances	\$11,603,608	\$7,073	\$372,074	\$1,019,079	

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

4,795,552

Internal service fund is used by management to charge the cost of benefit insurance to employees

91

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

(1,463,001)

\$8,683,639

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2005

	General	Food Service	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$6,813,390	\$0	\$0	\$0	\$6,813,390
Intergovernmental	3,864,602	28,123	304,009	579,857	4,776,591
Charges for Services	0	133,937	0	0	133,937
Tuition and Fees	170,870	0	867,985	0	1,038,855
Interest	105,415	0	0	1,590	107,005
Gifts and Donations	100	0	0	15,725	15,825
Payment in Lieu of Taxes	35,276	0	0	0	35,276
Rent	16,326	0	0	0	16,326
Miscellaneous	31,852	24,890	10	9,492	66,244
Total Revenues	<u>11,037,831</u>	<u>186,950</u>	<u>1,172,004</u>	<u>606,664</u>	<u>13,003,449</u>
Expenditures:					
Current:					
Instruction:					
Special	121,179	0	0	0	121,179
Vocational	5,171,834	0	256,668	266,365	5,694,867
Adult Education	3,772	0	25,842	100,262	129,876
Support Services:					
Pupils	897,918	0	64,999	103,051	1,065,968
Instructional Staff	225,259	0	3,902	146,463	375,624
Board of Education	26,921	0	0	0	26,921
Administration	670,944	0	248,639	1,897	921,480
Fiscal	452,377	0	0	5,059	457,436
Business	63,136	0	0	0	63,136
Operation and Maintenance of Plant	760,920	0	0	6,223	767,143
Pupil Transportation	49,251	0	0	0	49,251
Central	314,956	0	586,576	20,493	922,025
Operation of Non-Instructional Services	8,651	242,734	396	0	251,781
Extracurricular Activities	41,051	0	0	0	41,051
Capital Outlay	1,460,847	0	0	211,593	1,672,440
Debt Service:					
Principal Retirement	183,490	0	0	0	183,490
Interest and Fiscal Charges	20,837	0	0	0	20,837
Total Expenditures	<u>10,473,343</u>	<u>242,734</u>	<u>1,187,022</u>	<u>861,406</u>	<u>12,764,505</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	564,488	(55,784)	(15,018)	(254,742)	238,944
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	6,035	0	0	0	6,035
Inception of Capital Leases	1,000,000	0	0	0	1,000,000
Transfers - In	0	51,400	130,730	500,355	682,485
Transfers - Out	(682,485)	0	0	0	(682,485)
Total Other Financing Sources (Uses)	<u>323,550</u>	<u>51,400</u>	<u>130,730</u>	<u>500,355</u>	<u>1,006,035</u>
Net Change in Fund Balances	888,038	(4,384)	115,712	245,613	1,244,979
Fund Balances (Deficit) - beginning (Restated)	3,275,518	(7,685)	193,346	644,839	
Fund Balances (Deficit) - ending	<u>\$4,163,556</u>	<u>(\$12,069)</u>	<u>\$309,058</u>	<u>\$890,452</u>	

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

Net Change in Fund Balances - total governmental funds

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,009,892

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (35,502)

Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. (809,353)

Change in net assets of governmental activities \$1,410,016

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2005

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$6,339,642	\$6,527,043	\$6,527,043	\$0
Intergovernmental	3,753,109	3,864,052	3,864,052	0
Tuition and Fees	166,081	170,990	170,990	0
Interest	98,905	101,829	107,524	5,695
Rent	15,857	16,326	16,326	0
Gifts and Donations	97	100	100	0
Payment in Lieu of Taxes	23,584	24,281	24,281	0
Miscellaneous	10,953	11,277	11,277	0
Total Revenues	10,408,228	10,715,898	10,721,593	5,695
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	111,475	123,068	113,069	9,999
Vocational	5,092,757	5,622,398	5,165,599	456,799
Support Services:				
Pupils	909,834	1,004,455	922,847	81,608
Instructional Staff	231,824	255,934	235,140	20,794
Board of Education	27,226	30,057	27,615	2,442
Administration	1,014,185	1,119,659	1,028,691	90,968
Fiscal	446,982	493,467	453,375	40,092
Business	62,741	69,266	63,638	5,628
Operation and Maintenance of Plant	877,917	969,220	890,474	78,746
Pupil Transportation	51,130	56,447	51,861	4,586
Central	391,970	432,734	397,576	35,158
Operation of Non-				
Instructional Services	8,385	9,257	8,505	752
Extracurricular Activities	37,408	41,298	37,943	3,355
Capital Outlay	324,844	358,627	329,490	29,137
Total Expenditures	9,588,678	10,585,887	9,725,823	860,064
Excess of Revenues Over (Under) Expenditures	819,550	130,011	995,770	865,759
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	5,862	6,035	6,035	0
Refund of Prior Year Expenditures	19,984	20,575	20,575	0
Advances In	190,725	196,363	196,363	0
Advances Out	(223,272)	(246,292)	(226,465)	19,827
Transfers In	111,200	114,487	114,487	0
Transfers Out	(785,733)	(867,448)	(796,971)	70,477
Total Other Financing Sources (Uses)	(681,234)	(776,280)	(685,976)	90,304
Net Change in Fund Balance	138,316	(646,269)	309,794	956,063
Fund Balances at Beginning of Year	2,730,899	2,730,899	2,730,899	0
Prior Year Encumbrances Appropriated	373,048	373,048	373,048	0
Fund Balances at End of Year	\$3,242,263	\$2,457,678	\$3,413,741	\$956,063

See accompanying notes to the basic financial statements.

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Food Service Fund
For the Fiscal Year Ended June 30, 2005

	Food Service			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$29,600	\$30,834	\$30,834	\$0
Customer Services	142,500	133,937	133,937	0
Miscellaneous	29,000	25,890	25,890	0
Total Revenues	<u>201,100</u>	<u>190,661</u>	<u>190,661</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Operation of Non- Instructional Services	241,268	241,518	242,874	(1,356)
Total Expenditures	<u>241,268</u>	<u>241,518</u>	<u>242,874</u>	<u>(1,356)</u>
Deficiency of Revenues (Under) Expenditures	(40,168)	(50,857)	(52,213)	(1,356)
<u>Other Financing Sources:</u>				
Transfers In	40,000	51,400	51,400	0
Total Other Financing Sources	<u>40,000</u>	<u>51,400</u>	<u>51,400</u>	<u>0</u>
Net Change in Fund Balance	(168)	543	(813)	(1,356)
Fund Balances at Beginning of Year	<u>1,074</u>	<u>1,074</u>	<u>1,074</u>	<u>0</u>
Fund Balances at End of Year	<u>\$906</u>	<u>\$1,617</u>	<u>\$261</u>	<u>(\$1,356)</u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Adult Education Fund
For the Fiscal Year Ended June 30, 2005

	Adult Education			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$305,905	\$302,389	\$302,389	\$0
Tuition and Fees	1,390,846	871,960	871,980	20
Miscellaneous	59,000	10	10	0
Total Revenues	1,755,751	1,174,359	1,174,379	20
<u>Expenditures:</u>				
Current:				
Instruction:				
Vocational	276,817	272,139	259,995	12,144
Adult/Continuing	20,980	27,502	26,275	1,227
Support Services:				
Pupils	73,008	67,666	64,646	3,020
Instructional Staff	0	4,074	3,892	182
Administration	270,523	269,319	257,300	12,019
Central	831,342	651,799	622,712	29,087
Operation of Non-				
Instructional Services	1,500	520	497	23
Capital Outlay	1,000	0	0	0
Total Expenditures	1,475,170	1,293,019	1,235,317	57,702
Excess of Revenues Over (Under) Expenditures	280,581	(118,660)	(60,938)	57,722
<u>Other Financing Sources (Uses):</u>				
Advances In	0	46,723	46,723	0
Advances Out	0	(48,896)	(46,714)	2,182
Transfers In	128,608	176,394	176,394	0
Transfers Out	(8,000)	(47,797)	(45,664)	2,133
Total Other Financing Sources (Uses)	120,608	126,424	130,739	4,315
Net Change in Fund Balance	401,189	7,764	69,801	62,037
Fund Balances at Beginning of Year	197,919	197,919	197,919	0
Prior Year Encumbrances Appropriated	70,689	70,689	70,689	0
Fund Balances at End of Year	\$669,797	\$276,372	\$338,409	\$62,037

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Customer Service Fund	Governmental Internal Service Fund
<u>Assets</u>		
<i>Current Assets</i>		
Equity in Pooled Cash and Cash Equivalents	\$248,353	\$91
<i>Noncurrent Assets</i>		
Capital Assets (net of accumulated depreciation)	11,347	0
Total Assets	\$259,700	\$91
<u>Liabilities</u>		
<i>Current Liabilities</i>		
Payables:		
Accounts	\$2,789	\$0
Interfund	150,483	0
Total Current Liabilities	153,272	0
<u>Net Assets</u>		
Invested in capital assets, net of related debt	11,347	0
Unrestricted	95,081	91
Total Net Assets	\$106,428	\$91

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Customer Service Fund	Governmental Internal Service Fund
	<u> </u>	<u> </u>
<u>Operating Revenues:</u>		
Charges for Services	\$109,053	\$0
Other	539	0
	<u> </u>	<u> </u>
Total Operating Revenues	<u>109,592</u>	<u>0</u>
<u>Operating Expenses:</u>		
Salaries	727	0
Fringe Benefits	108	0
Purchased Services	13,463	0
Materials and Supplies	85,833	0
Depreciation	650	0
	<u> </u>	<u> </u>
Total Operating Expenses	<u>100,781</u>	<u>0</u>
Change in Net Assets	8,811	0
Net Assets -		
Beginning of Year	<u>97,617</u>	<u>91</u>
Net Assets - End of Year	<u><u>\$106,428</u></u>	<u><u>\$91</u></u>

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Customer Service Fund	Governmental Internal Service Fund
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>		
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$109,053	\$0
Cash Payments to Suppliers for Goods and Services	(97,361)	0
Cash Payments to Employees for Services	(835)	0
Cash Received from Other Operating Revenues	539	0
<i>Net Cash Provided by Operating Activities</i>	11,396	0
<u>Cash Flows from Noncapital Financing Activities:</u>		
Short Term Loan (Repayment)	150,236	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	150,236	0
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Payments for Capital Acquisitions	(8,530)	0
<i>Net Cash Used For Capital and Related Financing Activities</i>	(8,530)	0
<u>Cash Flows from Investing Activities:</u>		
Interest	0	0
<i>Net Cash Provided by Investing Activities</i>	0	0
<i>Net Increase in Cash and Cash Equivalents</i>	153,102	0
<i>Cash and Cash Equivalents at Beginning of Year</i>	95,251	91
<i>Cash and Cash Equivalents at End of Year</i>	248,353	91
<u>Reconciliation of Operating Income to Net Cash Used for Operating Activities:</u>		
Operating Income	8,811	0
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>		
Depreciation	650	0
<u>Changes in Assets and Liabilities:</u>		
Increase in Accounts Payable	2,140	0
Decrease in Due to Local Governments	(205)	0
<i>Total Adjustments</i>	2,585	0
<i>Net Cash Provided by Operating Activities</i>	\$11,396	\$0

See accompanying notes to the basic financial statements

Warren County Vocational School District
Warren County, Ohio
Statement of Fiduciary Assets and Liabilities -
Fiduciary Funds
June 30, 2005

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$56,283</u>
<u>Liabilities</u>	
Due to Students	<u>56,283</u>
Total Liabilities	<u>\$56,283</u>

See accompanying notes to the basic financial statements

This page intentionally left blank

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FISCAL YEAR ENDED JUNE 30, 2005

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The School District employs 73 certified and 28 classified staff members who serve approximately 959 secondary students and 7,873 adult students. A vocational school exposes high school and adult students to academic preparation and job training which leads to employment and/or further education upon graduation from high school.

Reporting Entity

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

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Government-wide and fund financial statements

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

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

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

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Accounting

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

Governmental Funds

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

The District reports the following major governmental funds:

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

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following major proprietary fund:

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

Additionally, the District reports the following fund types:

Internal Service Fund accounts for the financing of the self-insured benefits plan provided by the District to the employees on a cost reimbursement basis. This fund is considering inactive by the School District but still maintains a minimum cash balance. The School District will evaluate and eliminate the remaining cash balance in future years.

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (although no such grants or contributions were received for the year ending June 30, 2005). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

C. Budgetary Data

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

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

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts by formal resolution the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued during fiscal year 2005.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

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

During the current fiscal year and at year-end, investments were limited to US governmental agency notes..

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the current fiscal year amounted to \$105,415 with \$17,678 assigned from other funds. The permanent improvement capital projects fund also received interest of \$1,590.

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

E. Inventory (Materials and Supplies)

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

F. Capital Assets

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

G. Interfund Assets/Liabilities

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

H. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The entire liability is reported on the government-wide statement of net assets.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accrued Liabilities and Long-Term Obligations

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

J. Interfund Activity

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

K. Fund Balance Reserves

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

L. Net Assets

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Restricted Assets

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

N. Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

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

O. Exchange/Non-Exchange Transactions

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Estimates

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

Q. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$1,463,001) difference are as follows:

Capital Lease Payable	(\$933,322)
Compensated Absences	<u>(529,679)</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>(\$1,463,001)</u></u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.” The details of \$4,795,552 difference are as follows:

Capital Assets	\$12,588,177
Accumulated Depreciation	<u>(7,792,625)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$4,795,552</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An element of that reconciliation states that “Repayment of long-term obligations is reported as an expenditure in government funds, the repayment reduces long-term liabilities in the statement of net assets.” The details of this (\$809,353) are as follows:

Change in Benefit Balances	\$7,157
Principal Reduction on Leases	183,490
New lease obligations	<u>(1,000,000)</u>
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>(\$809,353)</u></u>

Another element of that reconciliation states that “Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$1,009,892 are as follows:

Current capital additions	\$1,537,352
Loss on disposal of capital assets	(723)
Depreciation Expense	<u>(526,737)</u>
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$1,009,892</u></u>

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

Budgetary Basis of Accounting:

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

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

Net Change in Fund Balance
Major Funds

	General Fund	Food Service Fund	Adult Education Fund
GAAP Basis	\$888,038	(\$4,384)	\$115,712
Adjustments:			
Revenue Accrual	(295,663)	3,711	2,375
Expenditure Accrual	3,237	3,790	(16,245)
Advances	(30,102)	0	9
Encumbrances	(255,716)	(3,930)	(32,050)
Budget Basis	\$309,794	(\$813)	\$69,801

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - ACCOUNTABILITY

At June 30, 2005 the following fund had deficit fund balances:

Major Fund

Food Service Fund	\$12,069
-------------------	----------

Nonmajor Funds:

Career Education Fund	2,888
Early Entry Fund	745
Vocational Education Fund	211

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

NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

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

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2005, the School District's internal service fund had a balance of \$91 maintained in a separate governmental type fund.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,170,634 of the School District's bank balance of \$4,063,884 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

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

Investments

As of June 30, 2005, the School District had the following investments.

	Carrying and Fair Value	Average Maturity (in years)
Federal National Mortgage Association Note	\$986,560	1.34
Federal Home Loan Bank Notes	798,375	3.67
Total Investments	<u>\$1,784,935</u>	

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. The Federal National Mortgage Association Notes and Federal Home Loan Bank Notes carry a rating of and Aaa/AAA and P-1/A-1 by Moody's and Standard & Poor's. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The School District's investment in Federal National Mortgage Association Notes represents 55.3% of the School District's total investments.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 6- PROPERTY TAXES

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

	2004 First- Half Collections		2005 Second- Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$2,668,756,220	88.19%	\$2,682,551,380	88.23%
Public Utility Personal	110,602,170	3.65	110,602,170	3.64
Tangible Personal Property	246,916,350	8.16	247,091,390	8.13
Total Assessed Value	<u>\$3,026,274,740</u>	<u>100.00%</u>	<u>\$3,040,244,940</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.50		\$4.50	

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

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

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

The District received property taxes from the County Auditor. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005 are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, accounts (tuition and student fees), interfund, intergovernmental (grants and rentals), charges for services, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
Major Funds:	
General Fund	\$142,393
Adult Education	<u>1,620</u>
Total Major Funds	<u>144,013</u>
Nonmajor Governmental Fund:	
Special Revenue Fund:	
Adult Basic Education Grant	<u>3,181</u>
Total Nonmajor Governmental Funds	<u>3,181</u>
Total	<u><u>\$147,194</u></u>

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance 07/01/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/05</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$456,000	\$0	\$0	\$456,000
Construction in Progress	0	680,782	0	680,782
Capital Assets, being depreciated				
Land Improvements	103,114	2,400	0	105,514
Buildings and Improvements	6,833,067	127,651	0	6,960,718
Furniture and Equipment	3,332,333	711,589	(62,883)	3,981,039
Vehicles	412,504	14,930	(23,310)	404,124
Total at Historical Cost	<u>11,137,018</u>	<u>1,537,352</u>	<u>(86,193)</u>	<u>12,588,177</u>
Less Accumulated Depreciation	<u>(7,351,358)</u>	<u>(526,737)</u>	<u>85,470</u>	<u>(7,792,625)</u>
Governmental Activities Capital Assets, Net	<u><u>\$3,785,660</u></u>	<u><u>\$1,010,615</u></u>	<u><u>(\$723)</u></u>	<u><u>\$4,795,552</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 8 - CAPITAL ASSETS (continued)

Business-Type Activities	Balance 07/01/04	Increases	Decreases	Balance 6/30/05
Capital Assets, being depreciated				
Buildings and Improvements	\$0	\$8,530	\$0	\$8,530
Furniture and Equipment	4,901	0	0	4,901
Less Accumulated Depreciation	(1,434)	(650)	0	(2,084)
Business-Type Activities				
Capital Assets, Net	<u>\$3,467</u>	<u>\$7,880</u>	<u>\$0</u>	<u>\$11,347</u>

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

Instruction:	
Special	\$13,007
Vocational	214,853
Adult Education	1,693
Support Services:	
Pupils	15,425
Administration	31,945
Fiscal	2,101
Business	12,528
Operation and Maintenance of Plant	23,722
Pupil Transportation	34,460
Central	173,193
Non-operational Instruction	3,810
Total Depreciation Expense	<u>\$526,737</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2005, the School District contracted with the Insurance Associates for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate. Vehicles are covered under a business policy with Utica National which carries a \$1,000 deductible and a \$1,000,000 limit on any accident.

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - RISK MANAGEMENT (continued)

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), and insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

The School District provided an option for medical/surgical benefits (PPO) administered by Anthem for health care coverage. The School District paid \$710.62 for family coverage or \$284.09 for individual coverage per month, both of which represents eighty-five percent of the premium required. The District also provides dental, vision and life coverage to the employees at a cost of \$83.48 through December 31 and \$90.91 after December 31 for family coverage and \$36.57 through December 31 and \$39.36 after December 31 for individual coverage.

The District completed the internal service fund in 2004 and therefore there is no claims liability reported in the internal service fund and governmental activities column on the statement of net assets at June 30, 2005; however, the fund still maintains a minimum cash balance of \$91. Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2004	\$3,533	\$2,128	\$5,661	\$0
2005	0	0	0	0

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%. A portion of the School District's contribution is used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 2005, 2004, and 2003, were, \$127,931, \$106,174, and \$103,309, respectively; 92 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$10,088 representing the unpaid contribution for fiscal year 2005. The current portion of the liability is recorded as a liability within the respective funds and the entire liability on the government-wide statements.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 1% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2005, 2004, and 2003, were \$723,506, \$706,418, and \$772,349, respectively; 92 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$55,506 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005 and, 2004 were \$32,867 and \$20,863, ninety-two percent has been contributed for fiscal year 2005 and 100 percent for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2005 were \$15,750 made by the School District and \$34,823 made by the plan members.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$55,655 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$54.6 billion. At June 30, 2004, net health care costs paid by STRS were \$36.7 billion and STRS had more than 110,000 eligible benefit recipients.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$63,947.

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, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004 SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 12 - COMPENSATED ABSENCES

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

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 13 - CAPITALIZED LEASES – LESSEE DISCLOSURE

During fiscal year 2000, the School District entered into a capitalized lease for technology equipment. Also during fiscal year 2005, the School District entered into capitalized leases for the acquisition of CAT equipment for \$400,000 and roof replacement \$600,000. The terms of the one agreement provides an option to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2005 totaled \$183,490 and interest payments of \$20,837. The 2000 capital lease was retired during the fiscal year.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2006	\$222,310
2007	222,310
2008	222,311
2009	222,311
2010	<u>140,485</u>
Total	1,029,727
Less: Amount Representing Interest	<u>(96,405)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$933,322</u></u>

Fiscal Year Ending June 30,	<u>Capital Leases Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$187,040	\$35,270	\$222,310
2007	194,715	27,595	222,310
2008	202,706	19,605	222,311
2009	211,025	11,286	222,311
2010	<u>137,836</u>	<u>2,649</u>	<u>140,485</u>
Totals	<u><u>\$933,322</u></u>	<u><u>\$96,405</u></u>	<u><u>\$1,029,727</u></u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 14 - LONG-TERM LIABILITIES

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

	Restated Obligation June 30, 2004	Additions	Deletions	Obligation Outstanding June 30, 2005	Amounts Due in One Year
Governmental Activities					
Compensated Absences	\$645,383	\$252,822	\$368,526	\$529,679	\$148,834
Capital Leases Payable	116,812	1,000,000	183,490	933,322	187,040
Total Governmental	<u>\$762,195</u>	<u>\$1,252,822</u>	<u>\$552,016</u>	<u>\$1,463,001</u>	<u>\$335,874</u>

The School District's overall legal debt margin was \$272,622,045 with an energy conservation debt margin of \$27,362,204 and an unvoted debt margin of \$3,040,245 at June 30, 2005.

Compensated absences will be paid from the fund from which the person is paid. Capital leases will be paid from the General fund.

NOTE 15 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2005, consist of the following individual receivables and payables and operating transfers in the governmental and proprietary fund balance sheets (such amounts are removed from consolidated columns in the statement of net assets):

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$158,840	\$0	\$0	\$682,485
Food Service	0	0	51,400	0
Adult Education	0	19,991	130,730	0
Customer Service	0	150,483	0	0
Nonmajor Funds:				
Special Revenue	0	1,524	355	0
Capital Projects	13,158	0	500,000	0
Total All Funds	<u>\$171,998</u>	<u>\$171,998</u>	<u>\$682,485</u>	<u>\$682,485</u>

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 15 - INTERFUND TRANSACTIONS (continued)

The interfund payables are expected to be repaid within one year. The School District is currently evaluating the user charges in adult education and customer service major funds to bring revenue generation in line with expenditures/expenses. The transfers are routine in nature with the majority of the money being transferred to the nonmajor permanent improvement capital projects fund for the School District's share of the roof replacement cost.

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and educational service centers within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The School District paid \$41,607 or services provided during the fiscal year. Financial information can be obtained from the fiscal agent, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

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

NOTE 17 - INSURANCE PURCHASING POOL

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

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 18 - STATUTORY RESERVES

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Carryover Balance as of June 30, 2004	(\$1,677,199)	\$0	\$30,312	(\$1,646,887)
Current Year Set-aside Requirement	100,535	100,535	0	201,070
Offsets	0	(500,000)	0	(500,000)
Qualifying Disbursements	<u>(591,916)</u>	<u>(33,478)</u>	<u>0</u>	<u>(625,394)</u>
Total	<u>(2,168,580)</u>	<u>(432,943)</u>	<u>0</u>	
Set-aside Carryover Balance as of June 30, 2005	<u>(\$2,168,580)</u>	<u>\$0</u>	<u>\$30,312</u>	
Total Restricted Assets				<u>\$30,312</u>

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

NOTE 19 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

Litigation:

As of June 30, 2005, the School District did not have any pending litigation.

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 20 - CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

During fiscal year 2005, the School District was required to implement GASB 40, "Deposit and Investment Risk Disclosures." The statement requires additional disclosures for credit risk, concentration risk and interest rate risk in relation to the School District's investments. The School District realized no impact from the implementation during the current year as there were no investments subject to additional disclosures owned by the School District.

The District also implemented GASB Technical Bulletin No. 2004-02 "Recognition of Pension and Other Postemployment Benefit Expenditure/Expense and Liabilities by Cost-Sharing Employers."

In prior audits, the School District advanced money from the General fund to the Enterprise funds. Prior to GASB 34 implementation, the Food Service fund was reported as an enterprise fund along with the Adult Education fund. After the GASB 34 implementation, the unreturned advances were shown as interfund liability to the food service fund. It is unclear whether some of these monies may have really been adult education monies. When originally advanced, the School District expected the money would be returned; however, the food service special revenue fund has not been able to repay the advance. Therefore, the District is removing the interfund balances as of June 30, 2004.

The implementation of the technical bulletin and prior period adjustment had the following effect on the following fund balances at June 30, 2004:

	General Fund	Food Service Fund	Adult Education Fund	Non-Major Funds
Fund Balance at June 30, 2004	\$3,969,765	(\$682,046)	\$196,812	\$647,107
Impact of Technical Bulletin	(12,756)	(7,130)	(3,466)	(2,268)
Removal of Interfund Balance	(681,491)	681,491	0	0
Restated Fund Balance at June 30, 2004	<u>\$3,275,518</u>	<u>(\$7,685)</u>	<u>\$193,346</u>	<u>\$644,839</u>



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County Vocational School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 26, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated June 26, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated June 26, 2006, we reported other matters related to noncompliance we deemed immaterial.

Warren County Vocational School District
Warren County
Independent Accountants' Report on Internal Control
over Financial Reporting and on Compliance and Other
Matters as Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

June 26, 2006



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WARREN COUNTY VOCATIONAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 25, 2006**