

Lawrence County Joint Vocational School District  
Lawrence County  
Single Audit  
For the Fiscal Year Ended June 30, 2012



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# Dave Yost • Auditor of State

Board of Education  
Lawrence County Joint Vocational School District  
11627 State Route 243  
Chesapeake, Ohio 45619

We have reviewed the *Independent Auditor's Report* of the Lawrence County Joint Vocational School District, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lawrence County Joint Vocational School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 18, 2013

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**Lawrence County Joint Vocational School District**  
**Lawrence County**  
*Table of Contents*  
For the Fiscal Year Ended June 30, 2012

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Title	Page
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Adult Education Fund.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Vocational Fund.....	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Pell Grant Fund.....	24
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	25
Notes to the Basic Financial Statements.....	26
Schedule of Federal Awards Expenditures.....	51
Notes to the Schedule of Federal Awards Expenditures.....	52
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	53

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	55
Schedule of Findings and Questioned Costs OMB Circular A-133 Section .505 .....	57
Schedule of Prior Audit Findings OMB Circular A-133 Section .315(b) .....	59

**Independent Auditor's Report**

Board of Education  
Lawrence County Joint Vocational School District  
11627 State Route 243  
Chesapeake, Ohio 45619

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 the 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, as of June 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparisons for the General Fund, Adult Education Fund, Vocational Fund, and Pell Grant Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

January 30, 2013



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## Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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The discussion and analysis of the Lawrence County Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. 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 basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

**Key financial highlights for the fiscal year 2012 are as follows:**

- Net assets of governmental activities decreased \$775,957.
- General revenues accounted for \$5,697,625 or 43% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$7,531,509 or 57% of total revenues of \$13,229,134.
- The School District had \$14,005,091 in expenses related to governmental activities; \$7,531,509 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$5,697,625 were not adequate to provide for the rest of these programs.

### **Using this Annual Financial Report**

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

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

### ***Reporting the School District as a Whole***

#### *Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

## Lawrence County Joint Vocational School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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These two statements report the School District's net assets and changes in those net assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as Governmental Activities, including instruction, support services, operation of non-instructional services, and extracurricular activities.

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for multiple financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund; Adult Education, Vocational, and the Pell Grant Special Revenue Funds; and the OSFC Project, Locally Funded Initiatives, and Permanent Improvement Capital Projects Funds.

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

***Fiduciary Funds*** The School District accounts for resources held for the benefit of parties outside the government as fiduciary funds. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The School District uses accrual accounting for fiduciary funds.

**Lawrence County Joint Vocational School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

Table 1  
Net Assets

	Governmental Activities		
	2012	2011	Change
<b>Assets</b>			
Current and Other Assets	\$27,090,811	\$28,846,077	(\$1,755,266)
Capital Assets	4,565,782	2,993,141	1,572,641
Total Assets	<u>31,656,593</u>	<u>31,839,218</u>	<u>(182,625)</u>
<b>Liabilities</b>			
Long-term Liabilities	7,078,380	7,514,828	(436,448)
Other Liabilities	3,269,953	2,240,173	1,029,780
Total Liabilities	<u>10,348,333</u>	<u>9,755,001</u>	<u>593,332</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	3,919,803	2,712,695	1,207,108
Restricted	15,862,002	17,483,585	(1,621,583)
Unrestricted	<u>1,526,455</u>	<u>1,887,937</u>	<u>(361,482)</u>
Total Net Assets	<u>\$21,308,260</u>	<u>\$22,084,217</u>	<u>(\$775,957)</u>

The change in the makeup of assets is a result of the School District's participation in the Ohio School Facilities Program. Liabilities also increased, due to contracts payable on the building program.

**Lawrence County Joint Vocational School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012, and comparisons to fiscal year 2011.

Table 2  
Changes in Net Assets

	Governmental Activities		
	2012	2011	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$2,576,239	\$2,478,969	\$97,270
Operating Grants, Contributions and Interest	4,955,270	5,219,170	(263,900)
Total Program Revenues	7,531,509	7,698,139	(166,630)
General Revenues			
Property Taxes	1,804,815	1,546,577	258,238
Grants and Entitlements	3,521,211	17,968,837	(14,447,626)
Investment Earnings	49,610	277,881	(228,271)
Miscellaneous	321,989	299,484	22,505
Total General Revenues	5,697,625	20,092,779	(14,395,154)
Total Revenues	13,229,134	27,790,918	(14,561,784)
<b>Program Expenses</b>			
Instruction:			
Regular	104,943	190,003	(85,060)
Vocational	5,770,131	6,196,004	(425,873)
Adult/Continuing	2,723,654	2,351,808	371,846
Support Services:			
Pupils	381,008	431,589	(50,581)
Instructional Staff	92,972	107,503	(14,531)
Board of Education	59,724	63,191	(3,467)
Administration	980,146	1,024,201	(44,055)
Fiscal	601,357	438,126	163,231
Operation and Maintenance of Plant	684,188	820,071	(135,883)
Central	265,933	294,788	(28,855)
Operation of Non-Instructional Services:			
Food Service Operations	256,618	271,955	(15,337)
Community Services	1,567,970	1,575,058	(7,088)
Extracurricular Activities	45,615	41,836	3,779
Interest and Fiscal Charges	470,832	486,814	(15,982)
Total Expenses	14,005,091	14,292,947	(287,856)
Increase (Decrease) in Net Assets	(775,957)	13,497,971	(14,273,928)
Net Assets Beginning of Year	22,084,217	8,586,246	13,497,971
Net Assets End of Year	\$21,308,260	\$22,084,217	(\$775,957)

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. The decreases in expenses are due to staff reductions necessitated by the freeze in State funding.

**Lawrence County Joint Vocational School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011
<b>Program Expenses</b>				
Instruction:				
Regular	\$104,943	\$7,708	\$190,003	\$48,884
Vocational	5,770,131	3,348,506	6,196,004	3,780,416
Adult/Continuing	2,723,654	(90,763)	2,351,808	(426,361)
Support Services:				
Pupils	381,008	177,797	431,589	240,949
Instructional Staff	92,972	32,289	107,503	52,309
Board of Education	59,724	59,724	63,191	63,191
Administration	980,146	904,511	1,024,201	928,542
Fiscal	601,357	580,185	438,126	413,345
Operation and Maintenance of Plant	684,188	676,220	820,071	802,230
Central	265,933	229,005	294,788	242,389
Operation of Non-Instructional Services:				
Food Service Operations	256,618	(7,157)	271,955	1,161
Community Services	1,567,970	52,494	1,575,058	(33,888)
Extracurricular Activities	45,615	32,231	41,836	(5,173)
Interest and Fiscal Charges	470,832	470,832	486,814	486,814
<b>Total</b>	<b>\$14,005,091</b>	<b>\$6,473,582</b>	<b>\$14,292,947</b>	<b>\$6,594,808</b>

58 percent of vocational instruction activities are supported through taxes and other general revenues. On the other hand, adult/continuing instruction activities generated \$90,763.

**The School District Funds**

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,195,473 and expenditures of \$16,003,580.

*General Fund* – The General Fund is the primary operating fund of the School District. At the end of 2012, unassigned fund balance was \$2,058,193, while total fund balance was \$2,281,006. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 29 percent of total General Fund expenditures, while total fund balance represents 32 percent of General Fund Expenditures. The fund balance of the School District's General Fund decreased \$345,150 during the current fiscal year. This decrease is due to unanticipated operating transfers to Special Revenue funds.

**Lawrence County Joint Vocational School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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*Other Major Governmental Funds*

*Adult Education Fund* – The fund balance of the Adult Education Fund at June 30, 2012, is (\$107,375), a decrease of \$20,195 from the prior year. This decrease is due to increased salaries and wages.

*Vocational Fund* – The fund balance of the Vocational Fund at June 30, 2012, is (\$65,039), a decrease of \$36,140 from the prior year. This decrease is due to a decrease in funding that was only partially offset by operating transfers from the General Fund.

*Pell Grant Fund* – The Pell Grant Fund does not maintain significant balances, but generated over \$1,500,000 in revenues and expenditures during fiscal year 2012.

*OSFC Project Fund* – The OSFC Project Fund was established during fiscal year 2010 with funds from the issuance of certificates of participation in the amount of \$5,747,770. The proceeds from the sale of the certificates will be used for the School District's share under the Ohio School Facilities Program. Construction has begun on the upgrades to District buildings.

*Locally Funded Initiatives Fund* – The Locally Funded Initiatives Fund was established during fiscal year 2010 with funds from the sale of certificates of participation in the amount of \$1,565,000. The proceeds from the sale will be used for construction not covered by the Ohio School Facilities program. Construction has begun on the upgrades to District buildings.

*Permanent Improvement Fund* – The fund balance of the Permanent Improvement Fund at June 30, 2012, is \$1,770,100, a decrease of \$1,336,700. This decrease is due mainly to the fund supporting construction efforts associated with the District's building project.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2012, the School District amended its appropriations by \$1,614,201 due to extremely conservative budgeting at the beginning of the year.

The School District's ending unobligated General Fund balance was \$2,467,237.

**Lawrence County Joint Vocational School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the School District had \$4,565,782 invested in land, buildings, improvements, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2012 balances compared to 2011.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2012	2011
Land	\$174,360	\$174,360
Land Improvements	44,902	42,865
Buildings and Improvements	1,421,381	1,519,243
Furniture and Equipment	483,195	649,021
Vehicles	22,357	30,673
Construction in Progress	2,419,587	576,979
Totals	<u>\$4,565,782</u>	<u>\$2,993,141</u>

See Note 9 for more information on Capital Assets.

***Debt***

At June 30, 2012, the School District had the following debt outstanding:

Table 5  
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2012	2011
Certificates of Participation	\$6,697,770	\$7,082,770

See Note 14 for more information on debt.

**Economic Factors**

The Lawrence County Joint Vocational School District is in a low economic growth area, so dependence on local tax revenue must be minimized.



**Lawrence County Joint Vocational School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Richard Sketel, Treasurer at Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, Ohio 45619.

**Lawrence County Joint Vocational School District, Ohio**  
*Statement of Net Assets*  
*June 30, 2012*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,316,947
Intergovernmental Receivable	14,061,176
Materials and Supplies Inventory	2,229
Property Taxes Receivable	1,613,612
Deferred Charges	96,847
Nondepreciable Capital Assets	2,593,947
Depreciable Capital Assets, Net	1,971,835
<i>Total Assets</i>	31,656,593
<b>Liabilities</b>	
Accounts Payable	73,638
Contracts Payable	1,092,219
Accrued Wages and Benefits Payable	520,900
Retainage Payable	74,486
Accrued Interest Payable	36,990
Vacation Benefits Payable	228,571
Matured Compensated Absences Payable	10,664
Deferred Revenue	1,187,518
Intergovernmental Payable	44,967
Long-Term Liabilities:	
Due within One Year	427,625
Due in More than One Year	6,650,755
<i>Total Liabilities</i>	10,348,333
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,919,803
Restricted for:	
Capital Projects	15,814,267
Other Purposes	47,735
Unrestricted	1,526,455
<i>Total Net Assets</i>	\$21,308,260

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2012*

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				
Instruction:				
Regular	\$104,943	\$0	\$97,235	(\$7,708)
Vocational	5,770,131	137,057	2,284,568	(3,348,506)
Adult/Continuing	2,723,654	2,317,773	496,644	90,763
Support Services:				
Pupils	381,008	0	203,211	(177,797)
Instructional Staff	92,972	0	60,683	(32,289)
Board of Education	59,724	0	0	(59,724)
Administration	980,146	0	75,635	(904,511)
Fiscal	601,357	0	21,172	(580,185)
Operation and Maintenance of Plant	684,188	0	7,968	(676,220)
Central	265,933	0	36,928	(229,005)
Operation of Non-Instructional Services:				
Food Service Operations	256,618	108,025	155,750	7,157
Community Services	1,567,970	0	1,515,476	(52,494)
Extracurricular Activities	45,615	13,384	0	(32,231)
Interest and Fiscal Charges	470,832	0	0	(470,832)
<i>Totals</i>	<u>\$14,005,091</u>	<u>\$2,576,239</u>	<u>\$4,955,270</u>	<u>(6,473,582)</u>
<b>General Revenues</b>				
Property taxes Levied for General Purposes				1,804,815
Grants and Entitlements not Restricted to Specific Programs				3,521,211
Interest				49,610
Miscellaneous				321,989
<i>Total General Revenues</i>				<u>5,697,625</u>
<i>Change in Net Assets</i>				(775,957)
<i>Net Assets Beginning of Year</i>				<u>22,084,217</u>
<i>Net Assets End of Year</i>				<u>\$21,308,260</u>

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2012*

	General	Adult Education	Vocational
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,165,652	\$1,836	\$0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	98,887	0	0
Receivables:			
Property Taxes	1,613,612	0	0
Intergovernmental	0	0	148,519
Interfund	313,146	0	0
Materials and Supplies Inventory	0	0	0
<i>Total Assets</i>	<u>\$4,191,297</u>	<u>\$1,836</u>	<u>\$148,519</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$34,070	\$23,271	\$0
Contracts Payable	0	0	0
Accrued Wages and Benefits Payable	415,824	77,956	15,083
Matured Compensated Absences Payable	10,664	0	0
Interfund Payable	0	0	148,519
Retainage Payable	0	0	0
Deferred Revenue	1,419,252	0	48,737
Intergovernmental Payable	30,481	7,984	1,219
<i>Total Liabilities</i>	<u>1,910,291</u>	<u>109,211</u>	<u>213,558</u>
<b>Fund Balances</b>			
Nonspendable	0	0	0
Restricted	98,887	0	0
Committed	86,428	0	0
Assigned	37,498	0	0
Unassigned (Deficit)	2,058,193	(107,375)	(65,039)
<i>Total Fund Balances (Deficits)</i>	<u>2,281,006</u>	<u>(107,375)</u>	<u>(65,039)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,191,297</u>	<u>\$1,836</u>	<u>\$148,519</u>

See accompanying notes to the basic financial statements

<u>Pell Grant</u>	<u>OSFC Project</u>	<u>Locally Funded Initiatives</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$0	\$5,848,615	\$1,366,022	\$1,770,100	\$65,835	\$11,218,060
0	0	0	0	0	98,887
0	0	0	0	0	1,613,612
0	13,859,022	0	0	53,635	14,061,176
0	0	0	0	0	313,146
0	0	0	0	2,229	2,229
<u>\$0</u>	<u>\$19,707,637</u>	<u>\$1,366,022</u>	<u>\$1,770,100</u>	<u>\$121,699</u>	<u>\$27,307,110</u>
\$0	\$6,166	\$564	\$0	\$9,567	\$73,638
0	1,092,219	0	0	0	1,092,219
0	0	0	0	12,037	520,900
0	0	0	0	0	10,664
13,721	0	0	0	150,906	313,146
0	74,486	0	0	0	74,486
0	13,859,022	0	0	32,060	15,359,071
0	0	0	0	5,283	44,967
<u>13,721</u>	<u>15,031,893</u>	<u>564</u>	<u>0</u>	<u>209,853</u>	<u>17,489,091</u>
0	0	0	0	2,229	2,229
0	4,675,744	1,365,458	1,770,100	45,340	7,955,529
0	0	0	0	0	86,428
0	0	0	0	0	37,498
(13,721)	0	0	0	(135,723)	1,736,335
<u>(13,721)</u>	<u>4,675,744</u>	<u>1,365,458</u>	<u>1,770,100</u>	<u>(88,154)</u>	<u>9,818,019</u>
<u>\$0</u>	<u>\$19,707,637</u>	<u>\$1,366,022</u>	<u>\$1,770,100</u>	<u>\$121,699</u>	<u>\$27,307,110</u>

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**Lawrence County Joint Vocational School District, Ohio**

*Reconciliation of Total Governmental Fund Balances to*

*Net Assets of Governmental Activities*

*June 30, 2012*

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<b>Total Governmental Fund Balances</b>		<b>\$9,818,019</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,565,782
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	231,734	
Grants	<u>13,939,819</u>	14,171,553
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.		(228,571)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		96,847
Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(36,990)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of Participation	(6,697,770)	
Sick Leave Benefits Payable	<u>(380,610)</u>	<u>(7,078,380)</u>
Net Assets of Governmental Activities		<u><u>\$21,308,260</u></u>

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General	Adult Education	Vocational
<b>Revenues</b>			
Property Taxes	\$1,785,776	\$0	\$0
Intergovernmental	5,195,277	660,924	375,971
Interest	0	0	0
Tuition and Fees	13,661	2,315,326	0
Charges for Services	136,780	2,447	0
Miscellaneous	211,192	76,598	0
<i>Total Revenues</i>	<u>7,342,686</u>	<u>3,055,295</u>	<u>375,971</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	0	0	0
Vocational	5,156,146	5,102	297,292
Adult/Continuing	1,031	2,701,081	0
Support Services:			
Pupils	97,141	0	294,417
Instructional Staff	31,276	150	0
Board of Education	57,693	0	0
Administration	535,525	404,478	0
Fiscal	480,194	119,086	0
Operation and Maintenance of Plant	620,046	44,816	0
Central	20,866	236,717	0
Operation of Non-Instructional Services:			
Food Service Operations	0	0	0
Community Services	0	0	0
Extracurricular Activities	45,615	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>7,045,533</u>	<u>3,511,430</u>	<u>591,709</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>297,153</u>	<u>(456,135)</u>	<u>(215,738)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	435,940	179,598
Transfers Out	(642,303)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(642,303)</u>	<u>435,940</u>	<u>179,598</u>
<i>Net Change in Fund Balance</i>	(345,150)	(20,195)	(36,140)
<i>Fund Balances (Deficits) Beginning of Year</i>	<u>2,626,156</u>	<u>(87,180)</u>	<u>(28,899)</u>
<i>Fund Balances (Deficits) End of Year</i>	<u>\$2,281,006</u>	<u>(\$107,375)</u>	<u>(\$65,039)</u>

See accompanying notes to the basic financial statements



Pell Grant	OSFC Project	Locally Funded Initiatives	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$0	\$0	\$0	\$1,785,776
1,513,601	0	5	0	716,081	8,461,859
0	0	0	49,610	0	49,610
0	0	0	0	0	2,328,987
0	0	0	0	108,025	247,252
0	0	0	0	34,199	321,989
<u>1,513,601</u>	<u>0</u>	<u>5</u>	<u>49,610</u>	<u>858,305</u>	<u>13,195,473</u>
0	0	0	0	104,023	104,023
0	0	0	22,819	94,788	5,576,147
0	0	0	0	9,567	2,711,679
0	0	0	0	0	391,558
0	0	0	0	61,546	92,972
0	0	0	0	0	57,693
0	0	0	0	22,160	962,163
0	0	0	0	0	599,280
0	0	0	23,880	0	688,742
0	0	0	0	0	257,583
0	0	0	0	255,243	255,243
1,566,068	0	0	0	1,902	1,567,970
0	0	0	0	0	45,615
0	1,720,166	128,270	0	0	1,848,436
0	0	0	385,000	0	385,000
0	0	0	142,199	317,277	459,476
<u>1,566,068</u>	<u>1,720,166</u>	<u>128,270</u>	<u>573,898</u>	<u>866,506</u>	<u>16,003,580</u>
<u>(52,467)</u>	<u>(1,720,166)</u>	<u>(128,265)</u>	<u>(524,288)</u>	<u>(8,201)</u>	<u>(2,808,107)</u>
19,445	812,412	0	0	7,320	1,454,715
0	0	0	(812,412)	0	(1,454,715)
<u>19,445</u>	<u>812,412</u>	<u>0</u>	<u>(812,412)</u>	<u>7,320</u>	<u>0</u>
(33,022)	(907,754)	(128,265)	(1,336,700)	(881)	(2,808,107)
<u>19,301</u>	<u>5,583,498</u>	<u>1,493,723</u>	<u>3,106,800</u>	<u>(87,273)</u>	<u>12,626,126</u>
<u>(\$13,721)</u>	<u>\$4,675,744</u>	<u>\$1,365,458</u>	<u>\$1,770,100</u>	<u>(\$88,154)</u>	<u>\$9,818,019</u>

**Lawrence County Joint Vocational School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

**Net Change in Fund Balances - Total Governmental Funds** (\$2,808,107)

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation:

Capital Asset Additions	1,874,123	
Depreciation Expense	<u>(301,482)</u>	1,572,641

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

Grants	14,622	
Delinquent Taxes	<u>19,039</u>	33,661

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

385,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Amortization of Issuance Costs	(12,906)	
Interest Payable	<u>1,550</u>	(11,356)

Some expenses reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Vacation Benefits Payable	756	
Sick Leave Benefits Payable	<u>51,448</u>	<u>52,204</u>

*Change in Net Assets of Governmental Activities*

(\$775,957)

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**

*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*

*General Fund*

*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,587,806	\$1,706,693	\$1,706,693	\$0
Intergovernmental	4,923,293	5,195,277	5,195,277	0
Tuition and Fees	15,000	13,661	13,661	0
Charges for Services	174,500	136,780	136,780	0
Miscellaneous	141,000	211,192	211,192	0
<i>Total Revenues</i>	<u>6,841,599</u>	<u>7,263,603</u>	<u>7,263,603</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Vocational	4,319,793	5,145,658	5,145,658	0
Support Services:				
Pupils	66,836	86,564	86,564	0
Instructional Staff	32,500	32,793	32,793	0
Board of Education	60,250	67,190	67,190	0
Administration	661,213	529,205	529,205	0
Fiscal	504,494	524,180	524,180	0
Operation and Maintenance of Plant	465,178	656,465	656,465	0
Central	25,000	19,492	19,492	0
Extracurricular Activities	0	45,615	45,615	0
<i>Total Expenditures</i>	<u>6,135,264</u>	<u>7,107,162</u>	<u>7,107,162</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>706,335</u>	<u>156,441</u>	<u>156,441</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	37,258	37,258	0
Transfers Out	0	(642,303)	(642,303)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(605,045)</u>	<u>(605,045)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	706,335	(448,604)	(448,604)	0
<i>Fund Balance Beginning of Year</i>	<u>2,915,841</u>	<u>2,915,841</u>	<u>2,915,841</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,622,176</u>	<u>\$2,467,237</u>	<u>\$2,467,237</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**

*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*

*Adult Education Fund*

*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$0	\$660,924	\$660,924	\$0
Tuition and Fees	12,553	2,315,326	2,315,326	0
Charges for Services	0	2,447	2,447	0
Miscellaneous	0	76,598	76,598	0
<i>Total Revenues</i>	<u>12,553</u>	<u>3,055,295</u>	<u>3,055,295</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Vocational	0	5,102	5,102	0
Adult/Continuing	500	2,706,244	2,706,244	0
Support Services:				
Instructional Staff	0	150	150	0
Administration	0	401,168	401,168	0
Fiscal	0	121,613	121,613	0
Operation and Maintenance of Plant	15,788	48,680	48,680	0
Central	126,275	235,182	235,182	0
<i>Total Expenditures</i>	<u>142,563</u>	<u>3,518,139</u>	<u>3,518,139</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	(130,010)	(462,844)	(462,844)	0
<b>Other Financing Sources</b>				
Transfers In	0	435,940	435,940	0
<i>Net Change in Fund Balance</i>	(130,010)	(26,904)	(26,904)	0
<i>Fund Balance Beginning of Year</i>	<u>6,004</u>	<u>6,004</u>	<u>6,004</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$124,006)</u></u>	<u><u>(\$20,900)</u></u>	<u><u>(\$20,900)</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**

*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*

*Vocational Fund*

*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$421,805	\$424,708	\$276,189	(\$148,519)
<b>Expenditures</b>				
Current:				
Instruction:				
Vocational	195,885	307,461	307,461	0
Support Services:				
Pupils	225,920	296,845	296,845	0
<i>Total Expenditures</i>	421,805	604,306	604,306	0
<i>Excess of Revenues Under Expenditures</i>	0	(179,598)	(328,117)	(148,519)
<b>Other Financing Sources</b>				
Transfers In	80,116	179,598	179,598	0
<i>Net Change in Fund Balance</i>	80,116	0	(148,519)	(148,519)
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$80,116	\$0	(\$148,519)	(\$148,519)

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**

*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*

*Pell Grant Fund*

*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$1,300,000	\$1,576,532	\$1,513,601	(\$62,931)
<b>Expenditures</b>				
Current:				
Operation of Non-Instructional Services:				
Community Services	1,300,100	1,567,090	1,567,090	0
<i>Excess of Revenues Under Expenditures</i>	<u>(100)</u>	<u>9,442</u>	<u>(53,489)</u>	<u>(62,931)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	19,445	19,445	19,445	0
Advances Out	0	(34,694)	(34,694)	0
<i>Total Other Financing Sources (Uses)</i>	<u>19,445</u>	<u>(15,249)</u>	<u>(15,249)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	19,345	(5,807)	(68,738)	(62,931)
<i>Fund Balance Beginning of Year</i>	<u>55,961</u>	<u>55,961</u>	<u>55,961</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$75,306</u></u>	<u><u>\$50,154</u></u>	<u><u>(\$12,777)</u></u>	<u><u>(\$62,931)</u></u>

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**

*Statement of Assets and Liabilities*

*Agency Funds*

*June 30, 2012*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$14,913</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$14,913</u>

See accompanying notes to the basic financial statements

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Note 1 - Description of the School District and Reporting Entity**

The Lawrence County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of two members of the Lawrence County Educational Service Center Board of Education, two members from the Ironton City School District Board of Education, and one member from the Chesapeake Union Exempted Village School District Board of Education, which possesses its own budgeting and taxing authority. The School District exposes students to job training, leading to employment upon graduation from high school.

The School District is staffed by 32 classified employees, 93 certificated full-time teaching personnel, and 16 administrative employees who provide services to 454 students and other community members. The School District currently operates one instructional building.

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

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

The School District participates in five organizations, two of which are defined as jointly governed organizations and three as insurance purchasing pools. The jointly governed organizations are the South Central Ohio Computer Association and the Coalition of Rural and Appalachian Schools. The insurance purchasing pools are the Ohio School Plan, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Lawrence County Schools Council of Governments Health Benefits Program. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.



**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the stand-alone government, except for the fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

**B. Fund Accounting**

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

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

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

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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***Adult Education Fund*** The Adult Education Special Revenue Fund is used to account for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from patrons and students and reimbursement from the State Department of Education. Expenditures include supplies, salaries, and textbooks.

***Vocational Fund*** The Vocational Special Revenue Fund is used to account for transactions made in connection with high school drop-out prevention/recovery and the Seniors to Sophomores grant. Receipts consist of grant proceeds. Expenditures were limited to purchased services and supplies.

***Pell Grant Fund*** The Pell Grant Special Revenue Fund is used to administer the Pell Grant program. The Federal Pell Grant Program provides need-based grants to low-income undergraduate and certain postbaccalaureate students to promote access to postsecondary education.

***Ohio School Facilities Commission (OSFC) Project Fund*** The OSFC Project Capital Projects Fund is used to account for monies received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

***Locally Funded Initiatives Fund*** The Locally Funded Initiatives Capital Projects Fund is used to account for monies received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities that are not covered by the Ohio School Facilities Commission Project.

***Permanent Improvement Fund*** The Permanent Improvement Capital Projects Fund is used to account for all transactions related to the acquiring, constructing, or improving such permanent improvements as are authorized by Chapter 5705, Revised Code.

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

***Fiduciary Fund Types*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and Federal student loans administered by the School District.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

***D. Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2012, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. The School District Board of Education has allocated interest earned on interim funds to the Permanent Improvement Fund. Interest revenue credited to the Permanent Improvement Fund during fiscal year 2012 amounted to \$49,610, including \$22,620 allocated from other funds.

***F. Inventory***

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

***G. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Buildings and Improvements	30-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

***H. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for capital improvements. See Note 18 for additional information regarding set-asides.

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as vacation benefits payable, rather than long-term liabilities, as the balances are usually used by employees within the calendar year earned. At the employee's request, any carry-over may be paid to the employee each year, or carried over and paid upon termination, up to an amount equal to the last three year's accrual.

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 classified and certified employees after ten years of current service with the School District.

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

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee will be paid.

***J. Accrued Liabilities and Long-term Obligations***

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

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

***K. Interfund Activity***

Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

***L. Interfund Balances***

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

***M. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**Restricted:** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislations (School District resolutions).

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or State statute.

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used.

***N. Net Assets***

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

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

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The School District did not report either type of transaction for the year ended June 30, 2012.

***P. Estimates***

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

***Q. Budgetary Process***

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

control selected by the School District Board of Education. The legal level of control has been established by the Board of Education at the fund level. The School District Treasurer has been given the authority to allocate appropriations among functions and objects within all funds.

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year end.

**R. Issuance Costs**

On government-wide financial statements, issuance costs are recorded as deferred charges and amortized over the term of the related debt. On the governmental fund financial statements, issuance costs are recognized in the period in which they were incurred.

**Note 3 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Adult Education	Vocational Fund	Pell Grant	OSFC Project	Locally Funded Initiatives	Permanent Improvements	Other Governmental Funds	Total
<b>Nonspendable:</b>									
Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,229	\$2,229
<b>Restricted for:</b>									
Vocational Education	0	0	0	0	0	0	0	23,086	23,086
Entry Year	0	0	0	0	0	0	0	6,578	6,578
District Managed Activities	0	0	0	0	0	0	0	512	512
Teacher Development	0	0	0	0	0	0	0	15,164	15,164
Capital Improvements	98,887	0	0	0	4,675,744	1,365,458	1,770,100	0	7,910,189
<b>Total Restricted</b>	<b>98,887</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,675,744</b>	<b>1,365,458</b>	<b>1,770,100</b>	<b>45,340</b>	<b>7,955,529</b>
<b>Committed to:</b>									
Other Purposes	86,428	0	0	0	0	0	0	0	86,428
<b>Assigned to:</b>									
Other Purposes	37,498	0	0	0	0	0	0	0	37,498
Unassigned (Deficit):	2,058,193	(107,375)	(65,039)	(13,721)	0	0	0	(135,723)	1,736,335
<b>Total Fund Balances</b>	<b>\$2,281,006</b>	<b>(\$107,375)</b>	<b>(\$65,039)</b>	<b>(\$13,721)</b>	<b>\$4,675,744</b>	<b>\$1,365,458</b>	<b>\$1,770,100</b>	<b>(\$88,154)</b>	<b>\$9,818,019</b>



**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**Note 4 - Accountability**

***Fund Deficits***

The following funds had deficit fund balances as of June 30, 2012:

	Deficit
Special Revenue:	
Food Service	\$1,513
Adult Education	107,375
Vocational	65,039
Pell Grant	13,721
Adult Basic Literacy	29,670
Miscellaneous Federal Grants	19,209
Debt Service:	
Bond Retirement	83,102

The General Fund is liable for the deficits in the special revenue funds and provides operating transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund, as well as the Adult Education, Vocational, and Pell Grant Special Revenue Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment, commitment, or restriction of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund, as well as the major Special Revenue Funds.

Net Change in Fund Balance

	General	Adult Education	Vocational	Pell Grant
GAAP Basis	(\$345,150)	(\$20,195)	(\$36,140)	(\$33,022)
Revenue Accruals	(79,083)	0	(99,782)	0
Expenditure Accruals	21,555	20,919	(12,597)	3
Advances In	37,258	0	0	0
Advances Out	0	0	0	(34,694)
Encumbrances	(83,184)	(27,628)	0	(1,025)
Budget Basis	<u>(\$448,604)</u>	<u>(\$26,904)</u>	<u>(\$148,519)</u>	<u>(\$68,738)</u>

**Note 6 - Deposits and Investments**

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;
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;

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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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);
7. The State Treasurer's investment pool (STAR Ohio); and
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.

***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 fiscal year end, all of the School District's bank balance of \$11,911,907 was either covered by the Federal Deposit Insurance Corporation or collateralized with pooled securities held by the pledging financial institution in the manner described below.

The School has no deposit policy for custodial credit 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 or a qualified trustee by 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.

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

The School District receives property taxes from Lawrence and Gallia Counties. The Lawrence County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance to the General Fund at June 30, 2012, was \$194,360. The amount available as an advance to the General Fund at June 30, 2011, was \$115,277.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second-Half Collections		2012 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$693,399,320	80%	\$693,028,180	79%
Public Utility Personal	101,786,520	12%	100,389,570	12%
General Business Personal	69,352,860	8%	80,746,810	9%
<b>Total</b>	<b>\$864,538,700</b>	<b>100%</b>	<b>\$874,164,560</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$2.40		\$2.40	

**Note 8 - Receivables**

Receivables at June 30, 2012, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except for property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Vocational	OSFC Project	Other Governmental Funds
Vocational Education	\$148,519	\$0	\$0
Adult Basic Literacy Education	0	0	53,635
Ohio School Facilities Program	0	13,859,022	0
<b>Total Intergovernmental Receivable</b>	<b>\$148,519</b>	<b>\$13,859,022</b>	<b>\$53,635</b>

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2012</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$174,360	\$0	\$0	\$174,360
Construction in Progress	576,979	1,842,608	0	2,419,587
Total Capital Assets not being Depreciated	<u>751,339</u>	<u>1,842,608</u>	<u>0</u>	<u>2,593,947</u>
Depreciable Capital Assets:				
Land Improvements	655,896	7,540	0	663,436
Buildings and Improvements	6,489,422	0	0	6,489,422
Furniture and Equipment	2,354,306	23,975	0	2,378,281
Vehicles	235,913	0	0	235,913
Total Capital Assets being Depreciated	<u>9,735,537</u>	<u>31,515</u>	<u>0</u>	<u>9,767,052</u>
Less Accumulated Depreciation				
Land Improvements	(613,031)	(5,503)	0	(618,534)
Buildings and Improvements	(4,970,179)	(97,862)	0	(5,068,041)
Furniture and Equipment	(1,705,285)	(189,801)	0	(1,895,086)
Vehicles	(205,240)	(8,316)	0	(213,556)
Total Accumulated Depreciation	<u>(7,493,735)</u>	<u>(301,482) *</u>	<u>0</u>	<u>(7,795,217)</u>
Total Capital Assets being Depreciated, Net	<u>2,241,802</u>	<u>(269,967)</u>	<u>0</u>	<u>1,971,835</u>
Capital Assets, Net	<u>\$2,993,141</u>	<u>\$1,572,641</u>	<u>\$0</u>	<u>\$4,565,782</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,794
Vocational	247,131
Adult Education	28,615
Support Services:	
Board of Education	2,031
Administration	7,961
Fiscal	1,380
Operation and Maintenance of Plant	4,476
Central	4,491
Operation of Non-Instructional Services:	
Food Service Operations	2,603
Total Depreciation Expense	<u>\$301,482</u>

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Note 10 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracted with Trident Risk Control Services for automobile and property coverage and commercial umbrella liability coverage for the period July 1, 2011 through June 30, 2012.

The types and amounts of coverage are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Damage to Rented Premises	500,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	3,000,000
Personal Injury	1,000,000
Excess Liability:	
Each Occurrence	3,000,000
Aggregate Limit	3,000,000
Employer's Liability:	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Building and Business Personal Property Coverage (\$1,000 deductible)	25,423,179
Automobile Liability (\$1,000 deductible for buses; \$500 for other)	1,000,000

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. During fiscal year 2012, the School District reviewed its insurance coverage and modified its policy where deemed appropriate.

***B. Worker's Compensation***

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the GRP.

**Note 11 - Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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Non-teaching employees earn ten to twenty days of vacation per fiscal year, depending upon the length of service. Administrative personnel earn twenty days of vacation per fiscal year. Maximum days accrued shall not exceed 60 days. Accumulated, unused vacation time is paid to non-teaching employees and administrative personnel upon termination of employment not to exceed the amount accrued within three years before the date of separation. Teaching employees, part-time employees and employees employed for less than 12 months do not earn vacation time.

Teaching employees, administrative personnel and non-teaching employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulates to a maximum of 295 days for all employees. Teaching employees upon retirement who have taught 10 or more years in the Lawrence County Joint Vocational School District are paid one-fourth of the total sick leave accumulation up to a maximum of 50 days. Administrative personnel and non-teaching employees are paid one-fourth of the total sick leave accumulation up to a maximum of 50 days. Teaching employees, administrative personnel and non-teaching employees who have been employed in the School District for 10 years or more, upon retirement, and have accrued unused sick leave credit of 200 days or more shall be paid an attendance bonus of an additional 10 days above the maximum of 50 days and shall receive an extra bonus of one additional day for each year of service after the tenth year of service.

***B. Life Insurance and Health Care Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to all classified and administrative employees through The Guardian in the amount of \$35,000.

Health insurance is provided by Anthem Blue Cross/Blue Shield. Premiums for this coverage are \$1,611.44 for family coverage and \$652.40 for single coverage per month. The School District pays 81.9% of the family coverage premium and 95% of the single coverage premium for administrators, adult education teachers, and non-certified staff.

Vision insurance is provided by The Guardian. Premiums for this coverage are \$8.85 single and \$19.03 family coverage per month. The School District pays 100% of the premium for single plans and 47% of the premium for family plans.

Dental insurance is provided by The Guardian. Premiums for this coverage are \$21.50 single and \$74.51 family coverage per month. The School District pays 100% of the premium for single plans and 29% of the premium for family plans.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 12.70 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$113,566, \$118,173, and \$70,376, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

### ***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.



**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$738,935, \$667,192, and \$715,719, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$52,054 made by the School District and \$37,182 made by the plan members.

***C. Social Security***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 13 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$18,355, \$29,281, and \$18,202, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$6,707, \$7,605, and \$7,467, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$56,841, \$53,749, and \$55,055, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

**Note 14 - Long-Term Obligations**

The changes in the School District’s long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/2011	Additions	Reductions	Principal Outstanding 6/30/2012	Amounts Due in One Year
<b>Governmental Activities</b>					
QSCB COPs 2010 Series A - 4.90%	\$1,335,000	\$0	\$385,000	\$950,000	\$405,000
QSCB COPs 2010 Series B - 7.02%	5,747,770	0	0	5,747,770	0
Sick Leave Benefits	432,058	44,179	95,627	380,610	22,625
Total Governmental Activities					
Long-Term Liabilities	<u>\$7,514,828</u>	<u>\$44,179</u>	<u>\$480,627</u>	<u>\$7,078,380</u>	<u>\$427,625</u>

Sick leave benefits will be paid from the funds from which the employees’ salaries are paid, which are the General Fund and the Food Service and Adult Education Special Revenue Funds.

**2010 Certificates of Participation** - On May 27, 2010, the School District issued \$7,312,770 in Qualified School Construction Bonds Certificates of Participation (QSCB COPs), for use in upgrading existing facilities. The issuance included the local share of the Ohio School Facilities Vocational Facilities Assistance Program, as well as locally funded initiatives associated with this program. A summary of the COPs is as follows:

**Series A** - \$1,565,000 COPs issued for use in upgrading existing facilities, as the locally funded initiative portion of the Ohio School Facilities Vocational Facilities Assistance Program. This portion of the debt included issuance costs of \$30,012, which will be amortized over the life of the Series A COPs. The Series A COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code, and have been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to PS & W Holding Company, Inc., and then subleased back to the School District. The Series A COPs were issued through a series of annual leases with an initial lease term of one month which includes the right to renew for sixteen successive one-year terms through June

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

30, 2026, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments for a period of five years, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 4.90%.

**Series B** – \$5,747,770 COPs issued for use in upgrading existing facilities, as the local portion of the Ohio School Facilities Vocational Facilities Assistance Program. This portion of the debt included issuance costs of \$106,553, which will be amortized over the life of the Series B COPs. The Series B COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to PS & W Holding Company, Inc., and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of one month which includes the right to renew for sixteen successive one-year terms through June 30, 2026, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments for a period of sixteen years, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 7.02%. As part of the ARRA act of 2009, issuers of QSCBs are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, QSCBs may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer’s interest cost. The School District, under agreement with the federal government, has chosen to receive a thirty-five percent semi-annual direct payment from the federal government to help offset interest expense on the Series B QSCB COPs.

The School District has the option to purchase the Project Facilities on any Lease Payment Date by paying the amount necessary to defease the Indenture.

Annual base rent requirements to retire certificates of participation outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30	Series A Principal	Series A Interest	Series B Principal	Series B Interest	Series B ARRA Subsidy	Total
2013	\$405,000	\$36,628	\$0	\$403,493	(\$317,277)	\$527,844
2014	425,000	16,292	0	403,493	(317,277)	527,508
2015	120,000	2,940	327,770	391,989	(308,230)	534,469
2016	0	0	455,000	364,514	(286,626)	532,888
2017	0	0	465,000	332,221	(261,234)	535,987
2018-2022	0	0	2,425,000	1,158,827	(911,214)	2,672,613
2023-2026	0	0	2,075,000	294,313	(231,426)	2,137,887
Total	<u>\$950,000</u>	<u>\$55,860</u>	<u>\$5,747,770</u>	<u>\$3,348,850</u>	<u>(\$2,633,284)</u>	<u>\$7,469,196</u>

The overall debt margin of the School District as of June 30, 2012, was \$78,674,810, with an unvoted debt margin of \$874,165.

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Note 15 - Transfers and Interfund Balances**

Interfund receivables and payables at June 30, 2012, consist of the following individual balances, representing monies advanced to funds to be repaid when grant funds or other program revenues are received, and for services rendered by one fund for another:

	Interfund Receivable	Interfund Payable
General Fund	\$313,146	\$0
Vocational	0	148,519
Pell Grant	0	13,721
Other Governmental Funds		
ABLE	0	48,293
Career Development	0	305
Miscellaneous Federal Grants	0	19,206
Bond Retirement Fund	0	83,102
Total Other Governmental Funds	0	150,906
Total All Funds	\$313,146	\$313,146

During fiscal year 2012, the following operating transfers were made to subsidize the various programs of the School District:

	Transfers In	Transfers Out
General Fund	\$0	\$642,303
Adult Education	435,940	0
Vocational Education	179,598	0
Pell Grant	19,445	0
Ohio School Facilities	812,412	0
Permanent Improvement	0	812,412
Other Governmental Funds:		
High Schools That Work	444	0
Miscellaneous State Grants	6,675	0
Improving Teacher Quality	201	0
Total Other Governmental Funds	7,320	0
Total All Funds	\$1,454,715	\$1,454,715

**Note 16 - Jointly Governed Organizations**

**South Central Ohio Computer Association (SCOCA)** is a jointly governed organization among public school districts within the boundaries of Gallia, Vinton, Highland, Adams, Pike, Scioto, Brown, Pickaway, Jackson, Ross, and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eleven participating counties and one representative from the fiscal

## Lawrence County Joint Vocational School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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agent. Revenues are generated from an annual fee of \$2.00 per student to participating districts, State funding, and charges for additional services to participating districts. Lawrence County Joint Vocational School District paid \$65,244 for services provided during fiscal year 2012. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2012. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

### **Note 17 - Insurance Purchasing Pools**

The School District participates in the **Ohio School Plan (OSP)**, an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

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

The School District participates in the **Lawrence County Schools Council of Governments Health Benefits Program (Council)**, a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a council, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The council exercises control over the operation of the council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council. Each school district reserves the right to withdraw from the plan.

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

If this is done, no further contributions will be made and the school district will be distributed their net pooled share and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

**Note 18 - Set Asides**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization and textbooks.

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

	<u>Capital Improvements</u>
Set-Aside Balance as of as of June 30, 2011	\$49,037
Current Year Set-Aside Requirement	112,059
Qualifying Disbursements	(62,209)
Totals	<u>\$98,887</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$98,887</u>
Set-Aside Balance as of June 30, 2012	<u>\$98,887</u>

**Note 19 – Contractual Commitments**

During fiscal years 2012, the School District awarded several contracts relating to its school facilities project. Contractual commitments outstanding at June 30, 2012, are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid as of 6/30/2012</u>	<u>Contract Remaining</u>
Architect	\$1,418,996	\$14,190	\$1,404,806
Asbestos Abatement	133,356	38,247	95,109
Combined GTC	8,376,519	403,145	7,973,374
Construction Manager	3,760,000	227,809	3,532,191
Electric	5,611,846	410,081	5,201,765
Plumbing and HVAC	1,558,900	51,184	1,507,716
Roofing	1,326,035	180,979	1,145,056
	<u>\$22,185,652</u>	<u>\$1,325,635</u>	<u>\$20,860,017</u>

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Note 20 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

***B. Litigation***

The School District is currently party to legal proceedings. However, it is the opinion of management that such proceedings will not have a material adverse effect, if any, on the School District's overall financial position.

**Note 21 – Subsequent Event**

Effective July 1, 2012, the School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association. SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. SCOCACoG 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.

**Note 22 – Compliance**

Contrary to Ohio Revised Code Section 5705.39, the School District had appropriations in excess of estimated resources in the Adult Education Fund.

**Lawrence County Joint Vocational School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**Lawrence County Joint Vocational School District**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2012*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>United States Department of Agriculture</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$46,746	\$0	\$46,746	\$0
National School Lunch Program	3L60	10.555	94,604	11,751	94,604	11,751
Total Child Nutrition Cluster			141,350	11,751	141,350	11,751
<b>Total United States Department of Agriculture</b>			<b>141,350</b>	<b>11,751</b>	<b>141,350</b>	<b>11,751</b>
<b><u>United States Department of Education</u></b>						
<i>Direct from the Federal Agency</i>						
Student Financial Aid Cluster:						
Federal Direct Student Loans	N	84.268	0	1,977,824	0	1,977,824
Federal Pell Grant Program	N	84.063	1,513,601	0	1,513,601	0
Total Student Financial Aid Cluster			1,513,601	1,977,824	1,513,601	1,977,824
Rural Education	N	84.358	55,719	0	55,719	0
<i>Passed through the Ohio Department of Education</i>						
Career and Technical Education-Basic Grants to States	3L90	84.048	276,188	0	604,308	0
Adult Education-Basic Grants to States	3I20	84.002	197,014	0	164,294	0
Improving Teacher Quality State Grants	3Y60	84.367	2,696	0	2,896	0
Total United States Department of Education			<b>2,045,218</b>	<b>1,977,824</b>	<b>2,340,818</b>	<b>1,977,824</b>
<b>Total Federal Financial Assistance</b>			<b>\$2,186,568</b>	<b>\$1,989,575</b>	<b>\$2,482,168</b>	<b>\$1,989,575</b>

N - direct award.

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

**Lawrence County Joint Vocational School District**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 1 – Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**Note 2 – Guaranteed Student Loans**

Non-monetary assistance is reported in the schedule at the dollar amount of guaranteed student loans disbursed.

**Note 3 – Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
Lawrence County Joint Vocational School District  
11627 State Route 243  
Chesapeake, Ohio 45619

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Joint Vocational School District, Lawrence County, (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 30, 2013. 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.

**Internal Control Over Financial Reporting**

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. These items are identified as findings 2012-1 and 2012-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or another matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-3.

We noted certain matters that we reported to management of the School District in a separate letter dated January 30, 2013.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

January 30, 2013

**Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Education  
Lawrence County Joint Vocational School District  
11627 State Route 243  
Chesapeake, Ohio 45619

**Compliance**

We have audited Lawrence County Joint Vocational School District's, Lawrence County, (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance (Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined previously.

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



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

January 30, 2013

**Lawrence County Joint Vocational School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2012*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>		
Type of financial statement opinion:		Unqualified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?		Yes
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Student Financial Aid Cluster: Federal Direct Student Loans (CFDA #84.268) and Federal Pell Grant Program (CFDA #84.063)
Dollar threshold used to distinguish between type A and type B programs:		\$300,000
Auditee qualified as low-risk auditee?		No

**Section II – Financial Statement Findings**

**Finding 2012-1 – Significant Deficiency – Bank Reconciliations**

Accurate reconciliations of bank accounts to the School District’s accounting records are a basic and essential internal control component for sound fiscal management. School District officials rely on accurate reconciliations to make sound financial decisions.

The School District’s checking account had an unreconciled difference throughout the year and at year end. The reconciliation had old outstanding checks and a few reconciling items which need to be posted to the School District’s accounting system. Additionally, the reconciliations performed by the Treasurer were not subsequently reviewed by the Board. As a result of such improperly functioning controls, errors and/or irregularities may go undetected if unreconciled differences are not investigated and timely resolved. The School District should implement procedures to ensure that any unreconciled differences in the bank reconciliation are investigated and timely resolved, follow proper unclaimed monies procedures with checks outstanding greater than one year, make appropriate entries to correctly state the cash balances in the accounting records, and have the Board review monthly reconciliations for accuracy and completeness.

*Client Response:*

The reconciliation variances were the result of inaccurate information received from the financial aid department at June 30, 2012.

**Lawrence County Joint Vocational School District**

*Schedule of Findings and Questioned Costs*

*OMB Circular A-133 Section .505*

*For the Fiscal Year Ended June 30, 2012*

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**Finding 2012-2 – Significant Deficiency – Financial Reporting and Schedule of Federal Awards Expenditures**

A monitoring system by the School District should be in place to prevent or detect misstatements for the accurate presentation of the School District’s financial statements and schedule of federal awards expenditures. Various errors were identified in the financial statements and schedule of federal awards expenditures of the School District. Certain errors were deemed significant enough to requiring correction within the financial statements. Other errors identified in the financial statements were aggregated and deemed immaterial by auditors and management, and therefore correction within the financial statements was waived. The School District should implement additional operating and monitoring procedures to ensure transactions are properly recorded and reported and that identified errors are timely identified and properly resolved.

*Client Response:*

These misstatements should have been corrected during the preparation of the compilation report.

**Finding 2012-3 – Noncompliance Citation – Appropriations in Excess of Estimated Resources**

Ohio Revised Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources. The School District had appropriations in excess of estimated resources in its Adult Education Fund at fiscal year-end. The School District was subject to the risk of unauthorized spending or overspending. The School District should implement additional operating and monitoring procedures to ensure that appropriations are limited to estimated resources.

*Client Response:*

The client chose not to respond.

**Section III – Federal Award Findings and Questioned Costs**

None



**Lawrence County Joint Vocational School District**

*Schedule of Prior Audit Findings*

*OMB Circular A-133 Section .315(b)*

*For the Fiscal Year Ended June 30, 2012*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2011-1	Significant Deficiency – Bank Reconciliations	No	Reissued as Finding 2012-1
Finding 2011-2	Significant Deficiency – Financial Reporting and Schedule of Federal Awards Expenditures	No	Reissued as Finding 2012-2
Finding 2011-3	Noncompliance Citation – Appropriations in Excess of Estimated Resources	No	Reissued as Finding 2012-3
Finding 2011-4	Noncompliance – Single Audit Deadline	Yes	

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# Dave Yost • Auditor of State

LAWRENCE COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

LAWRENCE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 28, 2013